
ORDINANCE NO. 1170

OF THE

BOARD OF ALDERMEN

OF THE

CITY OF ASHLAND, MISSOURI

PASSED MARCH 20, 2018

AUTHORIZING:

NOT TO EXCEED \$6,408,000

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS
(STATE OF MISSOURI – DIRECT LOAN PROGRAM)
SERIES 2018

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BILL NO. 2018-014

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$6,408,000 PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS (STATE OF MISSOURI – DIRECT LOAN PROGRAM) SERIES 2018 OF THE CITY OF ASHLAND, MISSOURI, FOR THE PURPOSE OF EXTENDING AND IMPROVING THE CITY’S COMBINED WATERWORKS AND SEWERAGE SYSTEM; PRESCRIBING THE FORM AND DETAILS OF THE BONDS AND THE AGREEMENTS MADE BY THE CITY TO FACILITATE AND PROTECT THEIR PAYMENT; AND PRESCRIBING OTHER RELATED MATTERS.

WHEREAS, the City of Ashland, Missouri (the “City”), is a fourth-class city organized and existing under the constitution and laws of the State of Missouri; and

WHEREAS, the City now owns and operates a revenue producing combined waterworks and sewerage system, serving the City, its inhabitants and others within its service area, including connected and related appurtenances and facilities and extensions, improvements, additions and enlargements made or acquired by the City after the date of this Ordinance (the “System”); and

WHEREAS, the City desires to construct improvements to the System, such improvements to be financed in part by the issuance by the City pursuant to this Ordinance of its Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2018 (the “Bonds”) in the maximum principal amount of \$6,408,000 (the “Maximum Principal Amount”); and

WHEREAS, to provide for the most cost-effective financing of the Project, the City desires to participate in the State of Missouri Direct Loan Program (the “Direct Loan Program”) of the Missouri Department of Natural Resources (“DNR”) and the Clean Water Commission of the State of Missouri (the “Commission”); and

WHEREAS, the City is authorized under the provisions of Chapter 250 of the Revised Statutes of Missouri, as amended (the “Act”), to issue and sell revenue bonds for the purpose of paying all or part of the cost of extending and improving the System, with the cost of operation and maintenance of the System and the principal of and interest on revenue bonds payable solely from the Net Revenues (as defined below); and

WHEREAS, pursuant to the Act, a special bond election was duly held in the City on August 5, 2014 (the “Election”) on the following question:

QUESTION

Shall the City of Ashland, Missouri, issue its combined waterworks and sewerage system revenue bonds in the amount of 7 million dollars for the purpose of purchasing, constructing, extending and improving the combined waterworks and sewerage system of the City and acquiring any land and easements necessary therefor, and the principal of and interest on said revenue bonds to be payable solely from the revenues derived by the City from the operation of its combined waterworks and sewerage system, including all future extensions and improvements thereto?

and it was found and determined that more than a simple majority of the qualified electors of the City voting on the question had voted in favor of the question, the vote having been 487 votes for the question and 151 votes against the question; and

WHEREAS, the Board of Aldermen (the "Governing Body") of the City has caused plans and specifications for the Project and a cost estimate to be made by the Consulting Engineer (as defined below); and

WHEREAS, the plans and specifications and the cost estimate are accepted and approved and are on file in the office of the City Clerk, the amount of the estimated cost being not less than the Maximum Principal Amount together with the initial maximum amount of the grant (\$500,000) as described in the Grant Agreement (defined below) and other available funds of the Participant; and

WHEREAS, \$591,800 authorized at the Election are considered to have been issued (a portion of the Series 2016 Bonds) and the City finds and determines that it is necessary and advisable and in the best interest of the City and of its inhabitants to issue an additional amount of not to exceed \$6,408,000 of the bonds so authorized; and

WHEREAS, by Ordinance No. 2008-045 adopted on October 7, 2008 (the "Series 2008 Bond Ordinance"), the City has issued its Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2008 (the "Series 2008 Bonds"), dated October 30, 2008, in the original principal amount of \$1,240,000, of which \$735,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 1071 adopted on May 24, 2016 (the "Series 2016 Bond Ordinance" and, together with the Series 2008 Bond Ordinance, the "Outstanding Parity Bond Ordinance"), the City has issued its Combined Waterworks and Sewerage System Revenue Bonds, Series 2016 (the "Series 2016 Bonds" and, together with the Series 2008 Bonds, the "Outstanding Parity Bonds"), dated June 1, 2016, in the original principal amount of \$1,351,800, of which \$1,320,200 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, the City, upon the issuance of the Bonds, will not have outstanding any other bonds or other obligations payable from the Net Revenues other than the Outstanding Parity Bonds and the Bonds; and

WHEREAS, under the provisions of the Outstanding Parity Bond Ordinance, the City may issue additional bonds payable out of the Net Revenues that are on a parity with the Outstanding Parity Bonds, only if certain conditions are met; and

WHEREAS, it is hereby found and determined that it is necessary and advisable and in the best interest of the City and its inhabitants that revenue bonds be issued and secured in the form and manner provided in this Ordinance and be sold to DNR under the Direct Loan Program, and to provide the remainder of costs of extending and improving the System which may be required from subsequent issues of bonds, grants or funds of the City otherwise available.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF ASHLAND, MISSOURI, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 101. Definition of Words and Terms. Capitalized words and terms not otherwise defined in this Ordinance have the meanings set forth in the Purchase Agreement and the Escrow Agreement (each as defined below). In addition to the foregoing and words and terms defined in the Recitals and elsewhere in this Ordinance, capitalized words and terms have the following meanings in this Ordinance:

“Administrative Expense Fund” means the fund designated as such and established by Section 4 of the Escrow Agreement. The Administrative Expense Fund does not constitute part of the Direct Loan Program.

“Administrative Fee” means the semiannual administrative fee of DNR equal to 0.25% of the aggregate amount of the Bonds Outstanding as of each Administrative Fee Calculation Date (including the final maturity date of the Bonds), payable to the Paying Agent within 30 days after the City’s receipt of a statement from the Paying Agent for deposit to the Administrative Expense Fund and subsequent transfers to DNR as described in Section 9 of the Escrow Agreement.

“Administrative Fee Calculation Date” means the Business Day preceding each Principal Payment Date.

“Authority” means the State Environmental Improvement and Energy Resources Authority, a body corporate and politic and a governmental instrumentality of the State.

“Authority Program Bonds” means any bonds of the Authority issued under the SRF Leveraged Program, all or a portion of the proceeds of which are loaned to the City pursuant to the SRF Leveraged Program.

“Authorized Representative” means the representative of the City designated as such by the City in accordance with the Regulations.

“BABs Interest Subsidy Payments” means any payments to be received by the City from the U.S. Department of the Treasury under Section 54AA or Section 6431 of the Internal Revenue Code of 1986, as amended, in connection with the payments of interest on System Revenue Bonds.

“Bond Debt Service” means the amount of the principal of and interest due on the Bonds on the date of calculation required in this Ordinance.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Paying Agent.

“Bonds” means the Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2018 authorized and issued under this Ordinance.

“Closing Date” means the date of the initial issuance and delivery of the Bonds.

“Construction Fund” means the Construction Fund established by Section 4 of the Escrow Agreement.

“Consultant” means the Consulting Engineer, a registered municipal advisor, an independent certified public accountant or a firm of independent certified public accountants.

“Consulting Engineer” means each independent engineer or engineering firm with experience in designing and constructing wastewater treatment, sanitary sewerage, water pollution control facilities and water production and transmission facilities and retained by the City.

“Cumulative Principal Amount Outstanding” means the sum of (i) the purchase price of the Bonds paid by the Owner to the Paying Agent on the Closing Date in accordance with the Purchase Agreement and deposited into the funds pursuant to Section 403, and (ii) each additional Purchase Price Installment, as notated on the Bonds by the Paying Agent, less the principal amount redeemed pursuant to Article III.

“Current Expenses” means all reasonable and necessary expenses of ownership, operation, maintenance and repair of the System and keeping the System in good repair and working order, determined in accordance with accounting principles generally accepted in the United States of America, including current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, Paying Agent fees and expenses, annual audits, periodic Consultant’s reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short-term obligations incurred and payable within a particular Fiscal Year, obligations incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the ownership and operation of the System, but excluding interest paid on, and swap, hedge or other interest-like payments made with respect to, System Revenue Bonds, depreciation, amortization and other noncash charges (including payments into the Depreciation and Replacement Account), and all general administrative expenses of the City not related to the operation of the System.

“Debt Service Fund” means the Debt Service Fund established by Section 4 of the Escrow Agreement.

“Defeasance Securities” means:

- (a) Federal Securities;
- (b) obligations of the Resolution Funding Corporation or any successor, but only if the use of the obligations to pay and discharge Bonds pursuant to Article X will cause the discharged Bonds to be rated in the highest long-term category by the Rating Agency; or
- (c) obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any state that:
 - (i) are not callable at the option of the obligor prior to maturity or for which irrevocable instructions have been given by the obligor to call on the date specified in the instructions, and

(ii) are fully secured as to principal, redemption premium and interest by a fund, consisting of cash or Federal Securities, that:

(A) may be applied only to the payment of principal, redemption premium and interest on the obligations, and

(B) is sufficient, as verified by an independent certified public accountant, to pay the principal, redemption premium and interest on the obligations.

“Depreciation and Replacement Account” means the fund or account designated as such and created or ratified by Section 401.

“Escrow Agreement” means the Escrow Trust Agreement between the City and the Paying Agent, as supplemented, modified or amended in accordance with its terms, related to the Bonds.

“Federal Securities” means any direct obligation of, or obligation the timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America and backed by its full faith and credit.

“Funds Transfer Method” means electronic transfer in immediately available funds, automated clearing house (ACH) funds, or other method approved by DNR at the written request of the City with written notice to the Paying Agent.

“Grant Agreement” means the Financial Assistance Agreement dated on or prior to the Closing Date, between the City and DNR, together with all related attachments, as supplemented, modified or amended by the City and DNR.

“Interest Payment Date” means each January 1 and July 1, commencing January 1, 2019.

“Interest Rate” means the annual rate equal to 30% of the Revenue Bond Index as published in *The Bond Buyer* most recently prior to the Closing Date, rounded up to the nearest 0.01%.

“Investment Securities” means any of the following securities that are legal for the investment of funds of the City at the time of purchase:

(a) Federal Securities;

(b) Direct and general obligations of the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged;

(c) Obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Corporation, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(d) Deposits which are either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities as are described above in clauses (a) through (c), which shall have a market value at all times at least equal to the principal amount of such certificates of deposit or time deposits, in one or more of the following institutions: banks, trust companies or savings and loan associations (including

without limitation, the Paying Agent or any bank affiliated with the Paying Agent) organized under the laws of the United States of America or any state thereof;

(e) Money market mutual funds that are invested in Federal Securities or repurchase agreements that are collateralized by Federal Securities; and

(f) Any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

“Net Revenues” means Revenues less Current Expenses.

“Operation and Maintenance Account” means the fund or account designated as such and created or ratified by Section 401.

“Ordinance” means this Ordinance as from time to time amended in accordance with its terms.

“Outstanding” means, as of the date of determination, all Bonds issued and delivered under this Ordinance, except:

(1) Bonds canceled by the Paying Agent or delivered to the Paying Agent for cancellation;

(2) Bonds for the payment of the principal or redemption price of and interest on which money or Defeasance Securities are held under Section 1001;

(3) Bonds in exchange for which, or in lieu of which, other Bonds have been registered and delivered pursuant to this Ordinance; and

(4) Bonds allegedly mutilated, destroyed, lost, or stolen and paid under Section 208.

“Owner” means DNR or any assignee, successor or transferee of DNR under the Direct Loan Program or the SRF Leveraged Program.

“Parity Bonds” means the Outstanding Parity Bonds and any other parity bonds or other obligations issued under Section 802 payable from the Net Revenues on a parity basis with the Bonds.

“Parity Ordinance” means the Outstanding Parity Bond Ordinance and the ordinances under which any other Parity Bonds are issued.

“Paying Agent” means UMB Bank, N.A., the paying agent and escrow agent, and its successors and assigns acting at any time as Paying Agent and Escrow Agent under this Ordinance and the Escrow Agreement.

“Principal Payment Date” means each January 1 and July 1, commencing July 1, 2020, and any date on which the Bonds are optionally redeemed in accordance with Section 301.

“Purchase Agreement” means the Purchase Agreement between the City and DNR, as supplemented, modified or amended in accordance with its terms, related to the Bonds.

“Purchase Price Installment” means the amount paid by DNR from time to time in accordance with Section 3.3 of the Purchase Agreement and deposited in the Construction Fund or otherwise in accordance with Section 403.

“Quarterly Payment Date” means each March 15, June 15, September 15 and December 15, commencing September 15, 2018.

“Rating Agency” means Moody’s Investors Service, Inc. or S&P Global Ratings, a division of S&P Global Inc., and their respective successors.

“Record Date” means the 25th day (whether or not a Business Day) of the calendar month next preceding the applicable Interest Payment Date.

“Repayment Fund” means the fund designated as such and established by Section 4 of the Escrow Agreement. The Repayment Fund does not constitute part of the Direct Loan Program.

“Revenue Fund” means the fund or account designated as such and created or ratified by Section 401.

“Revenues” means all income and revenues derived by the City from the System, including investment and rental income, net proceeds from business interruption insurance, sales tax revenues and/or other moneys which have been annually appropriated by the City or which are limited solely to the payment of improvements to or expenses of the System, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on System Revenue Bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business.

“SRF Leveraged Program” means the Missouri Leveraged State Drinking Water Revolving Fund Program and the Missouri Leveraged State Water Pollution Control Revolving Fund Program.

“SRF Leveraged Program Bonds” means any bonds of the City issued in connection with the City’s participation in the SRF Leveraged Program.

“SRF Subsidy” means the amount of investment earnings which will accrue on the Reserve Account during each Fiscal Year (taking into account scheduled transfers from the Reserve Account which will occur upon the payment of principal on Authority Program Bonds and assuming that the construction for the applicable project has been completed), if the balance in the Reserve Account is equal to the Reserve Percentage of the principal amount of the SRF Leveraged Program Bonds outstanding, the Reserve Account is invested in an investment agreement at a fixed rate during the calculation period and earnings are reduced by the Administrative Fee payable to DNR. Administrative Fee, Reserve Account and Reserve Percentage as used in this definition have the respective meanings set forth in the bond indentures for the applicable Authority Program Bonds.

“State” means the State of Missouri.

“Stated Maturity” means July 1, 2039, the final maturity date of the Bonds.

“Subsidy Payments” means funds received (or with respect to Section 802(a)(2)(B) funds that are reasonably expected to be received) by the City that either (a) must be used or (b) have been used (or with respect to Section 802(a)(2)(B) are reasonably expected to be used) to reduce the interest or principal

payments on System Revenue Bonds. Such Subsidy Payments would include, but are not limited to, BABs Interest Subsidy Payments, SRF Subsidy and other payments received by the City through a federal or State program.

“Surplus Account” means the fund or account created or ratified in Section 401.

“System Revenue Bonds” means, collectively, the Bonds, the Outstanding Parity Bonds and all other revenue bonds or obligations that are payable from the Net Revenues.

“User Charge Ordinance” means, collectively, Article III of Sub-Chapter A and Article III of Sub-Chapter of Chapter 14 of the Municipal Code of Ordinances of the City, as amended, supplemented or replaced.

ARTICLE II

AUTHORIZATION OF BONDS

Section 201. Authorization of Bonds. The Bonds are authorized and directed to be issued in the Maximum Principal Amount subject to the terms and for the purposes of this Ordinance. Upon the Completion of Funding pursuant to the Purchase Agreement, the principal amount of the Bonds issued under this Ordinance will be the Cumulative Principal Amount Outstanding as of the Completion of Funding plus the principal amount previously redeemed pursuant to Article III. The remaining voted authorization, if any, under the Election will be the voted amount less the sum of the amount previously issued as described in the Recitals and the amount issued as calculated pursuant to the preceding sentence.

Section 202. Security for Bonds.

(a) The Bonds are special, limited obligations of the City payable solely from, and secured by a pledge of, the Net Revenues. The taxing power of the City is not pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction.

(b) The Bonds are issued on a parity with the Outstanding Parity Bonds.

Section 203. Description of Bonds. The Bonds consist of fully-registered bonds, without coupons, numbered from R-1 consecutively upward, in the denomination of \$100 or any integral multiple of \$0.01 in excess thereof. The Bonds will be issued in substantially the form of Exhibit A and will be registered, transferred and exchanged as provided in Section 206. The Bonds are dated the Closing Date. The Bonds will mature and become due on the Stated Maturity (subject to optional and mandatory redemption prior to Stated Maturity as provided in Article III). The Bonds will bear interest on the Cumulative Principal Amount Outstanding at the Interest Rate from the Closing Date and the date of receipt of each Purchase Price Installment by the Paying Agent pursuant to the Purchase Agreement (as set forth on Schedule A to a Bond) or from the most recent Interest Payment Date to which interest has been paid or provided for. Interest is computed on the basis of a 360-day year of twelve 30-day months and is payable on each Interest Payment Date.

Section 204. Designation of Paying Agent. The City has designated the Paying Agent as the City’s paying agent for the payment of the principal of and interest on the Bonds, bond registrar for the registration, transfer and exchange of Bonds and escrow agent with respect to the funds established with the Paying Agent under the Escrow Agreement.

Section 205. Method and Place of Payment of Bonds.

(a) Payment of the Bonds will be made with any coin or currency that is legal tender for the payment of debts due the United States of America on the payment date.

(b) The payment of the principal of and redemption premium, if any, payable on each Bond at Stated Maturity or upon earlier redemption and the interest payable on each Bond on any Interest Payment Date will be made by check or draft mailed by the Paying Agent to the address of the Owner shown in the Bond Register. The principal of and redemption premium, if any, and interest on the Bonds is payable by electronic transfer in immediately available federal funds to a bank in the continental United States of America pursuant to instructions from any Owner received by the Paying Agent prior to the Record Date.

(c) Payments of principal on the Bonds pursuant to Article III may be made directly to the Owner without surrender of any Bond to the Paying Agent. Accordingly, any transferee of a Bond should verify with the Paying Agent the principal of the Bond outstanding prior to such purchase or transfer, and the records of the Paying Agent shall be conclusive for such purposes.

(d) The Paying Agent will keep a record of payment of principal of, redemption premium, if any, and interest on all Bonds and, at least annually at the request of the City, will forward a copy or summary of the record of payments to the City.

(e) The Bonds will be held by the Paying Agent in trust for each Owner, unless the Paying Agent is otherwise directed in writing by an Owner.

Section 206. Registration, Transfer and Exchange of Bonds.

(a) The City will cause the Paying Agent to keep the Bond Register. Each Bond when issued will be registered in the name of the Owner on the Bond Register. Bonds will be transferred and exchanged only upon the Bond Register.

(b) Upon surrender of any Bond at the payment office of the Paying Agent in St. Louis, Missouri (or other office designated by the Paying Agent), the Paying Agent will transfer or exchange the Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond which was presented for transfer or exchange. All Bonds presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Owner or by the Owner's authorized agent. All Bonds presented for transfer or exchange must be surrendered to the Paying Agent for cancellation.

(c) For every exchange or transfer of Bonds the City or the Paying Agent may levy a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid for the exchange or transfer. The person requesting the exchange or transfer must pay the charge. Payment of the charge is a condition precedent to the exchange or transfer. If any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against the Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code of 1986, as amended, this amount may be deducted by the Paying Agent from amounts payable to the Owner under this Ordinance and the Bonds.

(d) The City and the Paying Agent will treat the person in whose name any Bond is registered on the Bond Register as the absolute owner of the Bond, whether or not payment of the Bond is

overdue, for the purpose of receiving payment of the principal of, redemption premium, if any, and interest on the Bond and for all other purposes. All payments made to any Owner or upon the Owner's order will be valid and effectual to satisfy and discharge the City's liability for payment of the Bond to the extent of the sum or sums paid. Neither the City nor the Paying Agent will be affected by any notice to the contrary.

(e) At reasonable times and under reasonable rules established by the Paying Agent, the Owners of 25% or more in principal amount of the Outstanding Bonds, or their representative designated in a manner satisfactory to the Paying Agent, may inspect and copy the Bond Register.

Section 207. Execution, Authentication and Delivery of Bonds.

(a) Each Bond must be signed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, and have the official seal of the City affixed or imprinted thereon. If any officer whose manual or facsimile signature appears on any Bond ceases to be an officer before the delivery of any Bond signed by the officer, the manual or facsimile signature on the Bond will be valid and sufficient for all purposes of this Ordinance.

(b) The Mayor and the City Clerk are directed to prepare and execute the Bonds as specified in this Article, and when executed, to deliver the Bonds to the Paying Agent for authentication. Each Bond will be authenticated by any authorized signatory of the Paying Agent. No Bond is entitled to any security or benefit under this Ordinance or is valid or obligatory for any purpose until authenticated by the Paying Agent.

(c) Prior to the Completion of Funding, promptly upon the receipt by the Paying Agent of each Purchase Price Installment paid by the Owner in accordance with the Purchase Agreement, an authorized signatory of the Paying Agent will endorse Schedule A to a Bond with the date of receipt of the Purchase Price Installment, the amount of the Purchase Price Installment and the resulting Cumulative Principal Amount Outstanding. No further entries to Schedule A will be made after the Completion of Funding.

Section 208. Mutilated, Destroyed, Lost and Stolen Bonds.

(a) If (i) any mutilated Bond is surrendered to the Paying Agent, or the City and the Paying Agent receive evidence to their satisfaction of the mutilation, destruction, loss or theft of any Bond, and (ii) there is delivered to the City and the Paying Agent security or indemnity as required by them, in the absence of notice to the City or the Paying Agent that the Bond has been acquired by a bona fide purchaser, the City will execute and the Paying Agent will register and deliver, in exchange for or in lieu of any mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If the Bond has become or is about to become due, the City may pay the Bond instead of issuing a new Bond.

(b) Upon the issuance of any new Bond under this Section, the City or the Paying Agent may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge imposed and any other expenses (including the fees and expenses of the Paying Agent) connected with the issuance of the Bond.

(c) Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Bond will constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost or stolen Bond is enforceable by anyone at any time, and will be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

Section 209. Cancellation and Destruction of Bonds Upon Payment. All Bonds which have been paid or redeemed or which have otherwise been surrendered to the Paying Agent, either at or before Stated Maturity, will be canceled immediately upon the payment or redemption and the Paying Agent's receipt of the Bonds. The Paying Agent will periodically destroy canceled Bonds. The Paying Agent will execute a certificate in duplicate describing the destroyed Bonds and file an executed counterpart of the certificate with the City.

Section 210. Sale of the Bonds; Authorization and Execution of Documents.

(a) The Bonds will be sold to the Owner at the purchase price of 100% of the initial installment paid on the Closing Date plus each Purchase Price Installment made by the Owner thereafter pursuant to Section 3.3 of the Purchase Agreement, without accrued interest.

(b) The City is authorized to enter into the Purchase Agreement, the Grant Agreement and the Escrow Agreement, in substantially the forms presented to the Governing Body. The Mayor is authorized to execute the Purchase Agreement, the Grant Agreement and the Escrow Agreement for and on behalf of and as the act and deed of the City, with changes approved by the Mayor, which approval will be conclusively evidenced by the signature of the Mayor of the City. The Mayor is further authorized and directed to execute other documents, certificates and instruments that are necessary or desirable to carry out the intent of this Ordinance. The City Clerk is authorized and directed to attest the execution of the Purchase Agreement, the Grant Agreement, the Escrow Agreement and any other documents, certificates and instruments that are necessary or desirable to carry out the intent of this Ordinance.

Section 211. Administrative Fee and Paying Agent's Fee. Subject to Section 202, the City will pay to the Paying Agent, within 30 days after receipt of a statement from the Paying Agent, (a) the Administrative Fee, and (b) an amount equal to the Paying Agent's fees and expenses as provided in the Escrow Agreement.

ARTICLE III

REDEMPTION OF BONDS

Section 301. Optional Redemption. At the option of the City, with the prior written consent of the Owner, Bonds may be called for redemption and payment prior to Stated Maturity in whole or in part at any time, at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to the date of redemption. If an optional redemption is in part, the principal amount for each Principal Payment Date following the optional redemption will be reduced on a proportionate basis (to the nearest \$0.01).

Section 302. Mandatory Redemption Provisions.

(a) The Bonds are subject to mandatory sinking fund redemption in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on the Principal Payment Dates and in the principal amounts as set forth on Exhibit B.

(b) If upon the Completion of Funding, the Cumulative Principal Amount Outstanding is less than the Maximum Principal Amount (disregarding any scheduled redemptions above that have occurred prior to the Completion of Funding), the principal amount for each Principal Payment Date following the Completion of Funding will be reduced on a proportionate basis (to the nearest \$0.01).

Section 303. Revisions to Exhibit B; Selection of Bonds Upon Partial Redemption.

(a) Upon the partial redemption of the Bonds pursuant to Section 301 or if Section 302(b) is applicable, the Owner will provide a replacement Exhibit B, reflecting the reductions to the principal amounts, to the Paying Agent and the City, which will be binding on the City absent manifest error and will replace the previous Exhibit B without any further action on the part of the City. The revised Exhibit B is subject to such verification requirements as may be reasonably established by the Paying Agent.

(b) The redemption of the Bonds in part will be reflected in the records maintained by the Paying Agent.

Section 304. Notice and Effect of Call for Redemption.

(a) No notice of the mandatory redemption of Bonds is required to be given. If the Bonds are being optionally redeemed, notice of redemption will be given in the manner described below. Unless waived by any Owner of Bonds to be redeemed, the Paying Agent, on behalf of the City, will give notice by mailing a redemption notice, at least 15 days, but not more than 30 days, prior to the date fixed for redemption, to the Owner of Bonds to be redeemed at the address shown on the Bond Register.

(b) All redemption notices will be dated and include the following information:

(1) the redemption date,

(2) the redemption price, consisting of the principal amount, redemption premium, if any, and interest to the redemption date,

(3) if less than all Outstanding Bonds are to be redeemed, the identification number, Stated Maturity and, in the case of partial redemption of any Bond, the respective principal amounts of the Bonds to be redeemed,

(4) a statement that on the redemption date the redemption price will become due and payable upon each Bond or portion of a Bond called for redemption, and that interest ceases to accrue on the redeemed amount from and after the redemption date, and

(5) the address of the principal office of the Paying Agent where the Bonds must be surrendered for payment of the redemption price.

(c) If notice of redemption has been given or waived, the Bonds or portions to be redeemed will become due and payable on the redemption date at the redemption price specified in the notice. From and after the redemption date (unless the City defaults in the payment of the redemption price), the called Bonds will cease to bear interest. Upon the surrender of Bonds for payment of the redemption price in accordance with the notice, the Paying Agent will pay the redemption price to the applicable Owners.

ARTICLE IV

RATIFICATION AND ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 401. Ratification and Establishment of Funds and Accounts.

(a) The separate funds and accounts created in, or ratified by, the Outstanding Parity Bond Ordinance, known respectively as the:

(1) Combined Waterworks and Sewerage System Revenue Fund (the "Revenue Fund");

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

(3A) Principal Account, the Interest Account, State Match Portion Debt Service Account and Leveraged Portion Debt Service Account established under the Series 2008 Bond Ordinance (the "Series 2008 Bond Debt Service Account");

(3B) Debt Service Fund established under the Series 2016 Bond Ordinance (the "Series 2016 Bond Debt Service Account" and, together with the Series 2008 Bond Debt Service Account, the "Outstanding Parity Bond Debt Service Account");

(4) Reserve Account established under the Series 2008 Bond Ordinance (the "Outstanding Parity Bond Debt Service Reserve Account");

(5) Combined Waterworks and Sewerage System Depreciation and Replacement Fund (the "Depreciation and Replacement Account"); and

(6) Combined Waterworks and Sewerage System Surplus Fund (the "Surplus Account"),

are hereby ratified.

(b) The City hereby establishes the following special funds and accounts with the Paying Agent under the Escrow Agreement:

(1) the Debt Service Fund;

(2) the Construction Fund;

(3) the Repayment Fund, consisting of the Principal Account and the Interest Account; and

(4) the Administrative Expense Fund.

Section 402. Administration of Funds and Accounts. The funds and accounts described in Section 401(a)(1), (2), (5) and (6) will be maintained and administered by the City under this Ordinance and the Outstanding Parity Bond Ordinance while any of the Bonds and the Outstanding Parity Bonds are

outstanding. The funds and accounts described in Section 401(a)(3A), (3B) and (4) will be maintained and administered by or on behalf of the City while the applicable series of Outstanding Parity Bonds are outstanding. The funds and accounts described in Section 401(b) will be maintained and administered by the Paying Agent pursuant to the Escrow Agreement while the Bonds are Outstanding.

Section 403. Deposits and Application of Bond Proceeds.

(a) The proceeds received from the sale of the Bonds on the Closing Date will be deposited upon the delivery of the Bonds into the Construction Fund and the Administrative Expense Fund as provided in the Escrow Agreement. Thereafter, each Purchase Price Installment will be deposited into the Construction Fund.

(b) Moneys in the Construction Fund will be disbursed to the City for the sole purpose of paying the Eligible Costs of the Project in accordance with the plans and specifications prepared by the Consulting Engineer, previously approved by the Governing Body and DNR and on file in the office of the City Clerk, including any alterations in or amendments to the plans and specifications approved by the Governing Body and DNR with the advice of the Consulting Engineer.

(c) Requisitions will be submitted for funding of the Purchase Price Installments and resulting withdrawals from the Construction Fund in accordance with Article III of the Purchase Agreement. Funds will be disbursed from the Administrative Expense Fund as provided in the Escrow Agreement.

ARTICLE V

APPLICATION OF REVENUES

Section 501. Revenue Fund. The City covenants and agrees that from and after the delivery of the Bonds and so long as any of the Bonds remain outstanding and unpaid, all Revenues derived and collected by the City will be deposited into the Revenue Fund when received. The Revenues will be segregated from all other moneys, revenues, funds and accounts of the City. The Revenue Fund will be administered and applied solely for the purposes and in the manner provided in the Outstanding Parity Bond Ordinance, this Ordinance and any other ordinance with respect to System Revenue Bonds.

Section 502. Application of Moneys in Funds and Accounts.

(a) The City will apply moneys in the Revenue Fund on the dates, in the amounts and in the order as follows:

(1) on the first day of each month, to the Operation and Maintenance Account an amount sufficient to pay the estimated cost of operating and maintaining the System during the month;

(2) on a parity basis (i) at the times required under the Outstanding Parity Bond Ordinance, to the Outstanding Parity Bond Debt Service Account the amount required under the Outstanding Parity Bond Ordinance and (ii) by the Funds Transfer Method, on each Quarterly Payment Date, to the Paying Agent for credit to the Interest Account and the Principal Account:

(A) to the Interest Account, on September 15, 2018, and on each Quarterly Payment Date thereafter, 1/2 of the amount of interest due on the Bonds on the next Interest Payment Date with the balance in the Debt Service Fund and the Interest Account

on an Interest Payment Date after the payment of the principal of and interest due on the Bonds on the Interest Payment Date to be credited against the next succeeding Quarterly Payment; provided that prior to the Completion of Funding,

(i) the investment earnings on the Construction Fund for the preceding calendar quarter will be credited against the next Quarterly Payment,

(ii) for purposes of the first Quarterly Payment of each Interest Period, the amount of interest due on the next Interest Payment Date will be estimated based upon an expected disbursement schedule for the Interest Period provided by the City to DNR and the Paying Agent, and

(iii) for purposes of the second Quarterly Payment of each Interest Period, the interest due on the next Interest Payment Date will be calculated by the Paying Agent based upon Purchase Price Installments funded at least three Business Days prior to the Quarterly Payment Date and the second Quarterly Payment calculated so that the amount on deposit in the Interest Account after receipt of the second Quarterly Payment will equal interest payable on the Bonds on the Interest Payment Date; and

(B) to the Principal Account, on March 15, 2020, and on each Quarterly Payment Date thereafter, 1/2 of the principal due on the Bonds on the next succeeding Principal Payment Date, whether at Stated Maturity or upon mandatory sinking fund redemption. If the Initiation of Operations specified in the certificate delivered by the City under Section 3.5 of the Purchase Agreement is earlier than the expected Initiation of Operations, (i) the first quarterly installment of principal of the Bonds will be paid no later than the Quarterly Payment Date which is not more than 12 months after the Initiation of Operations, and (ii) on the Quarterly Payment Date which is not more than 20 years after the Initiation of Operations, all remaining unpaid principal installments of the Bonds will be paid;

(3) on the dates required by the Outstanding Parity Bond Ordinance, the amounts required to pay the fees described in the Outstanding Parity Bond Ordinance;

(4) at the times required under the Outstanding Parity Bond Ordinance, to the Outstanding Parity Bond Debt Service Reserve Account the amount required under the Outstanding Parity Bond Ordinance;

(5) on the dates required by Section 211, to the Paying Agent for deposit to the Administrative Expense Fund, the amounts required to pay the Administrative Fee and the Paying Agent's Fees and expenses;

(6) to the Depreciation and Replacement Account, the amounts on the dates required by the User Charge Ordinance and the Outstanding Parity Bond Ordinances; and

(7) at the times required under the Outstanding Parity Bond Ordinance or, after the date on which the Outstanding Parity Bonds are no longer outstanding, on each Quarterly Payment Date, the remaining balance to the Surplus Account.

(b) Except as provided in Section 503, moneys in the Depreciation and Replacement Account will be used by the City for the purpose of making replacements and repairs to the System in order to

keep the System in good repair and working order and to assure the continued effective and efficient operation of the System.

(c) Moneys in the Surplus Account are to be expended for the following purposes as determined by the Governing Body:

(1) paying the cost of the operation, maintenance and repair of the System to the extent necessary after the application of the moneys held in the Operation and Maintenance Account and the Depreciation and Replacement Account;

(2) paying the cost of extending, enlarging or improving the System;

(3) preventing default in, anticipating payments into or increasing the amounts in the accounts confirmed or established in Section 401, the Principal Account, the Interest Account or the Depreciation and Replacement Account, or establishing or increasing the amount of any debt service account or debt service reserve account created by the City for the payment of any System Revenue Bonds subsequently issued;

(4) redeeming and paying prior to Stated Maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the call price (if any bonds are callable), the Bonds, the Outstanding Parity Bonds or any other System Revenue Bonds hereafter issued under the conditions hereinafter specified and standing on a parity with the Bonds, including principal, redemption premium, if any, and interest; or

(5) subject to Section 502(e), any other lawful purpose in connection with the operation of the System and benefiting the System including, but not limited to, payments with respect to bonds or other obligations of the System.

(d) All amounts paid and credited to the Operation and Maintenance Account will be expended solely for the purpose of paying the Current Expenses of the System.

(e) No moneys derived by the City from the System will be diverted to the general governmental or municipal functions of the City.

(f) If the deposits to the Operation and Maintenance Account (the "OM Deposits") required under this Section are greater than the OM Deposits required in the User Charge Ordinance, the OM Deposits under the User Charge Ordinance will be deemed a credit toward OM Deposits required under this Section. If the OM Deposits required under this Section are less than those required in the User Charge Ordinance, OM Deposits under this Section will be deemed a credit to OM Deposits required under the User Charge Ordinance.

Section 503. Deficiency of Payments into Funds and Accounts.

(a) If the Revenues are insufficient to make any payment on any date specified in this Article, the City will make good the amount of the deficiency by making additional payments out of the first available Revenues for application in the order specified in Section 502.

(b) If the moneys in the Outstanding Parity Bond Debt Service Account, the Outstanding Parity Bond Debt Service Reserve Account, the Principal Account or the Interest Account are not sufficient to pay the principal of and interest on the Outstanding Parity Bonds and the Bonds as and when the same become due, the City will apply moneys in the Surplus Account and the Depreciation and

Replacement Account on a proportionate basis (based upon the outstanding principal amounts of the Bonds and the Outstanding Parity Bonds) to the Outstanding Parity Bond Debt Service Account, the Principal Account and the Interest Account to prevent any default in the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds.

Section 504. Transfer of Funds to Paying Agent. The City Clerk is authorized and directed to make the payments to the Principal Account and the Interest Account as provided in Section 502, and, to the extent necessary to prevent a default in the payment of any System Revenue Bonds, from the Surplus Account and from the Depreciation and Replacement Account as provided in Sections 502 and 503, sums sufficient to pay the System Revenue Bonds when due, and to forward amounts to the Paying Agent by the Funds Transfer Method which ensures the Paying Agent will have sufficient available funds on or before the second Business Day immediately preceding the dates when payments on the Bonds are due. Upon the payment of all principal and interest on the Bonds, the Paying Agent will return any excess funds to the City. Except as otherwise provided in the Escrow Agreement, all moneys deposited by the City with the Paying Agent are subject to the provisions of this Ordinance.

Section 505. Business Days. If any date for the payment of principal of, or redemption premium, if any, or interest on the Bonds or the taking of any other action hereunder is not a Business Day, then such payment shall be due, or such action shall be taken, on the first Business Day thereafter with the same force and effect as if made on the date fixed for payment or performance.

ARTICLE VI

INVESTMENT OF MONEYS

Section 601. Investment of Moneys.

(a) Moneys held in any fund or account referred to in this Ordinance may be invested in Investment Securities; provided, however, that any fund or account held by the Paying Agent shall be invested as provided in Section 11 of the Escrow Agreement. No such investment will be made for a period extending longer than the date when the money invested may be needed. All earnings on any investments held in any fund or account will accrue to the applicable fund or account. In determining the amount held in any fund or account under this Ordinance, obligations will be valued at the lower of cost or market value. If the amount in any fund or account held within the Treasury of the City is greater than the required amount, the City may transfer the excess to the Revenue Fund.

(b) If the Outstanding Parity Bonds are outstanding, any investments made pursuant to this Section are subject to the applicable restrictions in the Outstanding Parity Bond Ordinance.

ARTICLE VII

PARTICULAR COVENANTS OF THE CITY

Section 701. Efficient and Economical Operation; User Charge Ordinance. The City will continuously own and will operate the System in an efficient and economical manner and will keep and maintain the System in good repair and working order. The City has duly approved the User Charge Ordinance and will enforce the provisions thereof.

Section 702. Rate Covenant. The City will fix, establish, maintain and collect rates and charges for the use and services furnished by or through the System to produce income and revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal of and

interest on the Bonds as and when due; (c) enable the City to have in each Fiscal Year Net Revenues of not less than 110% of the amount required to be paid by the City in the Fiscal Year on account of both principal of and interest on all System Revenue Bonds at the time outstanding, provided that (i) interest on any System Revenue Bonds will be reduced by Subsidy Payments, if any, and (ii) principal and/or interest on any System Revenue Bonds will be reduced by amounts deposited in trust or escrowed for the payment thereof with the Owner or commercial bank or trust company located in the State of Missouri having full trust powers and acting as trustee or escrow agent and that are reasonably expected to be used for the payment of principal and/or interest on any System Revenue Bonds during the calculation period; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in this Ordinance. The City will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges.

Section 703. Reasonable Charges for all Services. None of the facilities or services provided by the System will be furnished to any user (excepting the City itself) without a reasonable charge being made therefor. If the income and revenues derived by the City from the System are insufficient to pay the reasonable expenses of operation and maintenance of the System and the principal of and interest on the Bonds when due, the City will pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates and charges for all services or other facilities furnished to the City or any of its departments by the System.

Section 704. Annual Budget. Prior to the commencement of each Fiscal Year, the City will cause a budget setting forth the estimated receipts and expenditures of the System for the next succeeding Fiscal Year to be prepared and filed with the City Clerk. The City Clerk, within 30 days after the end of the current Fiscal Year, will mail a copy of the budget to the Owner. The annual budget will be prepared in accordance with the laws of the State.

Section 705. Annual Audit.

(a) Promptly after the end of each Fiscal Year, the City will cause an audit of the System for the preceding Fiscal Year to be made by a certified public accountant or firm of certified public accountants employed for that purpose and paid from the Revenues. The annual audit will cover in reasonable detail the operation of the System during the Fiscal Year.

(b) As soon as possible after the completion of the annual audit, the Governing Body will review the annual audit, and if the annual audit reveals any breach of this Ordinance, the City agrees to promptly cure the breach.

(c) Within 30 days after the acceptance of the audit by the Governing Body, a copy of the annual audit will be filed in the office of the City Clerk, and a copy of the audit will be delivered (via regular mail or electronically) to the Owner. The annual audit will be open to examination and inspection during normal business hours by any taxpayer, any user of the services of the System, the Owner, or anyone acting for or on behalf of the taxpayer, user or Owner.

(d) The City acknowledges its undertakings set forth in Section 2.1(v) of the Purchase Agreement.

Section 706. Performance of Duties. The City will faithfully and punctually perform all duties and obligations with respect to the operation of the System, including all extensions and improvements thereto, now or hereafter imposed upon the City by the constitution and laws of the State and by the provisions of this Ordinance.

ARTICLE VIII

ADDITIONAL BONDS

Section 801. Prior Lien Bonds. The City will not issue any debt obligations payable out of the Net Revenues which are superior in lien, security or otherwise to the Bonds.

Section 802. Parity Lien Bonds or Obligations.

(a) The City will not issue any additional bonds or other long-term obligations payable out of the Net Revenues of the System that stand on parity or equality with the Bonds unless the following conditions are met:

(1) the City is not in default in the payment of principal or interest on the Bonds or any Parity Bonds or in making any deposit into the funds and accounts under this Ordinance or any Parity Ordinance; and

(2) the City provides to the Owner a certificate showing either of the following:

(A) the average annual Net Revenues as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds, are at least 110% of the average annual debt service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in all succeeding Fiscal Years. Interest to be paid on any System Revenue Bonds will be reduced by Subsidy Payments, if any. Principal and/or interest to be paid on any System Revenue Bonds will be reduced by amounts deposited in trust or escrowed for the payment thereof with the Owner or commercial bank or trust company located in the State of Missouri having full trust powers and acting as trustee or escrow agent and that are reasonably expected to be used for the payment of principal and/or interest on any System Revenue Bonds during the calculation period. If the City has made any increase in rates for the use and services of the System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available, the City may add to the audited Net Revenues the additional Net Revenues which would have resulted if the rate increase had been in effect for the entire period, as certified by a Consultant; or

(B) the estimated average annual Net Revenues for the two Fiscal Years immediately following the issuance of the additional bonds or, if improvements are to be made to the System with the proceeds of the additional bonds, for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation, as certified by a Consultant, is at least 110% of the average annual debt service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in succeeding Fiscal Years following the commencement of commercial operation of the improvements. Interest to be paid on any System Revenue Bonds will be reduced by Subsidy Payments, if any. Principal and/or interest to be paid on any System Revenue Bonds will be reduced by amounts deposited in trust or escrowed for the payment thereof with the Owner or commercial bank or trust company located in the State of Missouri having full trust powers and acting as trustee or escrow agent and that are reasonably expected to be used for the payment of principal and/or interest on any System Revenue Bonds during the calculation period. In determining the amount of estimated Net Revenues for the purpose of this subsection, a Consultant may adjust the

estimated net income and revenues by adding the estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System approved by the City and to become effective during the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation.

(b) If the conditions set forth in this Section are satisfied, the City (i) may issue additional revenue bonds or other obligations of the City on a parity with the Bonds and that enjoy complete equality of the lien on the Net Revenues with the Bonds, (ii) may make equal provision for paying the additional revenue bonds or other obligations from the Revenue Fund, and (iii) may secure the additional revenue bonds or other obligations by funding reasonable System debt service accounts and debt service reserve accounts from the Net Revenues.

Section 803. Junior Lien Bonds. Nothing in this Article prohibits or restricts the right of the City to issue additional revenue obligations, including revenue bonds, for the purpose of extending, improving, enlarging, repairing or altering the System, or refunding obligations issued for such purposes, that are subordinate to the Bonds if at the time of the issuance of the additional revenue obligations the City is not in default in the performance of any covenant or agreement in this Ordinance. If the City is in default in paying either interest on or principal of the Bonds, the City will not make any payments on the subordinate revenue obligations until the default is cured. Subject to the limitations in this Section, the City may make provision for paying the principal of and interest on the subordinate revenue bonds or obligations from moneys in the Revenue Fund.

Section 804. Refunding Bonds. The City may, without complying with the provisions of Section 802, refund any of the Bonds or any Parity Bonds in a manner that provides debt service savings to the City, and the refunding bonds so issued will be on a parity with any of the Bonds and any Parity Bonds that are not refunded. If the Bonds or any Parity Bonds are refunded in part and the refunding bonds bear a higher average rate of interest or become due on a date earlier than that of the Bonds or the Parity Bonds that are refunded, the City must obtain the prior written consent of the Owner to the issuance of the refunding bonds.

ARTICLE IX

DEFAULT AND REMEDIES

Section 901. Events of Default. If (a) the City defaults in the payment of the principal of or interest on any of the Bonds, or (b) the City or its Governing Body or any of its officers, agents or employees fails or refuses to comply with any provision of this Ordinance, the Constitution or statutes of the State, the Purchase Agreement or the Escrow Agreement and default continues for a period of 60 days after written notice specifying the non-payment default has been given to the City by the Owner of any Bond then Outstanding, at any time thereafter and while the default continues, the City shall pay to DNR the penalties assessed by DNR in accordance with the Regulations.

Section 902. Remedies.

(a) The provisions of this Ordinance constitute a contract between the City and the Owners of the Bonds. The Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(1) by any proceeding at law or in equity to enforce the rights of the Owner or Owners against the City and its officers, agents and employees, and to compel the performance

by the City of its duties and obligations under this Ordinance, the Constitution and the laws of the State;

(2) by any proceeding at law or in equity to require the City, its officers, agents and employees to account as if they were the trustees of an express trust; and

(3) by any proceeding at law or in equity to enjoin any act or thing which is unlawful or in violation of the rights of the Owners of the Bonds.

(b) Any amounts paid on the Bonds to the Owners will be applied first to interest and second to principal, to the extent due and payable.

Section 903. Limitation on Rights of Owners. No Owner has any right in any manner whatever by the Owner's action to affect, disturb or prejudice the security granted and provided for in, or enforce any right under, this Ordinance, except in the manner provided in this Ordinance. All proceedings at law or in equity will be for the equal benefit of all Owners.

Section 904. Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy. Each remedy is in addition to every other remedy and may be exercised without exhausting any other remedy conferred under this Ordinance. No waiver by any Owner of any default or breach of duty or contract of the City under this Ordinance will affect any subsequent default or breach of duty or contract by the City or impair any rights or remedies thereon. No delay or omission of any Owner to exercise any right or power accruing upon any default will impair any right or power or will be construed to be a waiver of any default. Every substantive right and every remedy conferred upon the Owners of the Bonds by this Ordinance may be enforced and exercised from time to time and as often as may be expedient. If any Owner discontinues any proceeding or the decision in the proceeding is against the Owner, the City and the Owners of the Bonds will be restored to their former positions and rights under this Ordinance.

Section 905. No Obligation to Levy Taxes. Nothing in this Ordinance imposes any duty or obligation on the City to levy any taxes either to meet any obligation incurred under this Ordinance or to pay the principal of or interest on the Bonds.

ARTICLE X

DEFEASANCE

Section 1001. Defeasance. When all of the Bonds have been paid and discharged, then the requirements contained in this Ordinance and the pledge of revenues made hereunder and all other rights granted hereby shall terminate. Bonds shall be deemed to have been paid and discharged within the meaning of this Ordinance if there shall have been deposited with the Paying Agent, or other bank or trust company located in the State of Missouri, having full trust powers and meeting the requirements of a successor Paying Agent (as set forth in the Escrow Agreement) impressed with a first lien to the Paying Agent for the benefit of the Owners, at or prior to Stated Maturity or redemption date of said Bonds, in trust for and irrevocably appropriated thereto, moneys and/or non-callable Defeasance Securities (the "Defeasance Escrow") which, together with the interest to be earned on any such obligations, will be sufficient for the payment of the principal of said Bonds and interest to accrue to the Stated Maturity or date of redemption, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments, provided; however, that if any such Bonds shall be redeemed prior to Stated Maturity, (a) the City shall have elected to redeem such Bonds, and (b) either notice of such redemption shall have been given or the City shall have given irrevocable instructions to

the Paying Agent to redeem such Bonds; and provided further, however, there shall be filed with the City, the Owner and the Paying Agent (1) an opinion of Bond Counsel to the effect that the conditions for the defeasance of the Bonds pursuant to this Section have been complied with and (2) if the payment of the Bonds at Stated Maturity or upon redemption will occur more than 90 days after the deposit of the Defeasance Escrow and interest on the Defeasance Escrow is to be used to pay debt service on the Bonds, the written report of an independent certified public accountant evidencing the sufficiency of the Defeasance Escrow. Any moneys and obligations which at any time shall be deposited with the Paying Agent, or other bank by or on behalf of the City, for the purpose of paying and discharging any of the Bonds shall be and are hereby assigned, transferred and set over to the Paying Agent or other bank in trust for the respective Owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge of this Ordinance. All moneys deposited with the Paying Agent or other bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Ordinance.

ARTICLE XI

AMENDMENTS

Section 1101. Amendments.

(a) Any provision of the Bonds or of this Ordinance may be amended by an ordinance with the prior written consent of the Owners. Consent must be evidenced by an instrument executed by the Owners, acknowledged or proved in the manner of a deed to be recorded, and filed with the City Clerk.

(b) No amendment will be effective until (i) the City has delivered to the Owners and the Paying Agent an opinion of Bond Counsel stating that the amendment is permitted by this Ordinance and the Act, complies with their respective terms and is valid and binding upon the City in accordance with its terms, and (ii) the City Clerk has on file a copy of the amendment and all required consents.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 1201. Further Authority. The officers of the City, including the Mayor and the City Clerk, are authorized and directed to execute all documents and take the actions as are necessary or advisable in order to carry out and perform the purposes of this Ordinance and to make ministerial changes in the documents approved by this Ordinance which they may approve. The execution of any document or taking of any related action constitutes conclusive evidence of the necessity or advisability of the action or change.

Section 1202. Electronic Transactions. The transactions described in this Ordinance and the Bonds may be conducted and related documents may be stored, received and delivered by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 1203. Severability. If any section or other part of this Ordinance is for any reason held invalid, the invalidity will not affect the validity of the other provisions of this Ordinance.

Section 1204. Governing Law. This Ordinance is governed by and will be construed in accordance with the laws of the State.

Section 1205. Effective Date. This Ordinance shall take effect and be in full force from and after its passage by the Board of Aldermen and approval by the Mayor.

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PASSED by the Board of Aldermen of the City of Ashland, Missouri, and APPROVED by the Mayor this 20th day of March, 2018.

Mayor

(Seal)

ATTEST:

City Clerk

EXHIBIT A

FORM OF BOND

[THIS BOND IS TRANSFERABLE ONLY TO ANY SUCCESSOR TO THE MISSOURI DEPARTMENT OF NATURAL RESOURCES OR ITS ASSIGNS]

Registered
No. R- _____

Registered
Not to exceed \$ _____

UNITED STATES OF AMERICA
STATE OF MISSOURI

CITY OF ASHLAND, MISSOURI

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND
(STATE OF MISSOURI – DIRECT LOAN PROGRAM)
SERIES 2018

Closing Date

Interest Rate

Stated Maturity

REGISTERED OWNER: [MISSOURI DEPARTMENT OF NATURAL RESOURCES]

PRINCIPAL AMOUNT: NOT TO EXCEED _____ DOLLARS

The CITY OF ASHLAND, MISSOURI, a fourth-class city and political subdivision of the State of Missouri (the "City"), for value received, hereby promises to pay to the Owner shown above, or registered assigns, the Cumulative Principal Amount Outstanding set forth on Schedule A to this Bond on the Maturity Date shown above, and to pay interest thereon at the Interest Rate per annum shown above, on January 1 and July 1 in each year, commencing January 1, 2019 (each an "Interest Payment Date"), from the date shown on Schedule A or from the most recent Interest Payment Date to which interest has been paid or duly provided for, computed on the basis of a 360-day year of twelve 30-day months. Terms not otherwise defined in this Bond have the respective meanings as set forth in the Ordinance.

The principal of this Bond shall be paid at maturity or upon earlier redemption to the person in whose name this Bond is registered on the Bond Register at the maturity or redemption date thereof, upon presentation and surrender of this Bond at the payment office of UMB Bank, N.A., St. Louis, Missouri (the "Paying Agent"). The payment of the principal of and redemption premium, if any, payable on this Bond at maturity or upon earlier redemption and the interest payable on this Bond on any Interest Payment Date will be made by check or draft mailed by the Paying Agent to the address of the Owner shown in the Bond Register. The principal of and redemption premium, if any, and interest on the Bonds is payable by electronic transfer in immediately available federal funds to a bank in the continental United States of America pursuant to instructions from any Owner received by the Paying Agent prior to the Record Date. The principal of and interest on this Bond is payable in lawful money of the United States of America.

This Bond is one of a duly authorized series of bonds of the City designated Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series

2018” (the “Bonds”), issued by the City for the purpose of extending and improving the combined waterworks and sewerage system owned and operated by the City (said system, together with all future improvements and extensions thereto hereafter constructed or acquired by the City, being herein called the “System”), under the authority of and in full compliance with Chapter 250 of the Revised Statutes of Missouri, as amended, and pursuant to an election duly held in the City and an ordinance duly passed by the governing body of the City (the “Ordinance”).

At the option of the City, the Bonds may be called for redemption and payment prior to maturity in whole or in part as provided in the Ordinance, with the prior written consent of the Owners.

The Bonds are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Ordinance, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

Except as otherwise provided in the Ordinance, notice of redemption, unless waived, is to be given by the Paying Agent by mailing an official redemption notice by registered or certified mail at least 15 days, but not more than 30 days, prior to the date fixed for redemption, to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Owner to the Paying Agent. Notice of redemption having been given or waived as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

The Bonds are limited obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues. The taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest. The Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction.

The Bonds are issued on a parity with the Outstanding Parity Bonds.

Under the conditions set forth in the Ordinance, the City has the right to issue additional bonds payable from the Net Revenues; provided, however, that such additional bonds may be so issued only in accordance with and subject to the covenants, conditions and restrictions relating thereto set forth in the Ordinance.

The City covenants with the Owner of this Bond to keep and perform all covenants and agreements contained in the Ordinance, and the City will fix, establish, maintain and collect rates, fees and charges for the use and services furnished by or through the System to produce Revenues sufficient to pay the operation and maintenance costs of the System, pay the principal of and interest on the Bonds and provide reasonable and adequate reserve funds. Reference is made to the Ordinance for a description of the agreements made by the City with respect to the collection, segregation and application of the Revenues, the nature and extent of the security for the Bonds, the rights, duties and obligations of the City with respect to the Bonds, and the rights of the Owners.

The Bonds are issuable in the form of fully-registered Bonds, without coupons, in the denomination of \$100 or any integral multiple of \$0.01 in excess thereof.

This Bond may be transferred or exchanged, as provided in the Ordinance, only upon the registration books kept for that purpose at the above-mentioned office of the Paying Agent, upon

surrender of this Bond together with a written instrument of transfer or exchange satisfactory to the Paying Agent duly executed by the Owner or the Owner's duly authorized agent, and thereupon a new Bond or Bonds in any authorized denomination of the same maturity and in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Ordinance, and upon payment of the charges therein prescribed. The City and the Paying Agent may deem and treat the person in whose name this Bond is registered on the Bond Register as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

This Bond will not be valid or be entitled to any security or benefit under the Ordinance until the Paying Agent has executed the Certificate of Authentication.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to the issuance of the Bonds have existed, happened and been performed in due time, form and manner as required by law, and that before the issuance of the Bonds, provision has been duly made for the collection, segregation and application of the income and revenues of the System as provided in the Ordinance.

IN WITNESS WHEREOF, the City of Ashland, Missouri, has executed this Bond by causing it to be signed by the manual signature of its Mayor and attested by the manual signature of its City Clerk, and its official seal to be affixed hereto or imprinted hereon.

(SEAL)

CITY OF ASHLAND, MISSOURI

ATTEST:

City Clerk

By _____
Mayor

CERTIFICATE OF AUTHENTICATION

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

Registration Date: _____

UMB BANK, N.A., Paying Agent

By _____
Authorized Signatory

RECORD OF PRINCIPAL PAYMENTS AND PREPAYMENTS

Under the provisions of the Ordinance, payments of the principal installments of this Bond and partial prepayments of the principal of this Bond will be made directly to the Owner without surrender of this Bond to the Paying Agent. Accordingly, any purchaser or other transferee of this Bond should verify with the Paying Agent the principal of this Bond outstanding prior to such purchase or transfer, and the records of the Paying Agent shall be conclusive for such purposes.

ASSIGNMENT

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

Print or Type Name of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints UMB Bank, N.A., agent to transfer the within Bond on the books kept by the Paying Agent for the registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The name of the Owner must correspond with the name that appears upon the face of the within Bond in every particular.

By: _____
Name: _____
Title: _____

EXHIBIT B

MANDATORY SINKING FUND REDEMPTION SCHEDULE

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
July 1, 2020	\$137,000	January 1, 2030	\$163,000
January 1, 2021	138,000	July 1, 2030	165,000
July 1, 2021	140,000	January 1, 2031	166,000
January 1, 2022	141,000	July 1, 2031	168,000
July 1, 2022	142,000	January 1, 2032	170,000
January 1, 2023	144,000	July 1, 2032	171,000
July 1, 2023	145,000	January 1, 2033	173,000
January 1, 2024	146,000	July 1, 2033	174,000
July 1, 2024	148,000	January 1, 2034	176,000
January 1, 2025	149,000	July 1, 2034	178,000
July 1, 2025	150,000	January 1, 2035	179,000
January 1, 2026	152,000	July 1, 2035	181,000
July 1, 2026	153,000	January 1, 2036	183,000
January 1, 2027	155,000	July 1, 2036	184,000
July 1, 2027	156,000	January 1, 2037	186,000
January 1, 2028	158,000	July 1, 2037	188,000
July 1, 2028	159,000	January 1, 2038	189,000
January 1, 2029	160,000	July 1, 2038	191,000
July 1, 2029	162,000	January 1, 2039	193,000
		July 1, 2039†	195,000

†Maturity

CERTIFICATE

I, the undersigned, City Clerk of the City of Ashland, Missouri, hereby certify that the above and foregoing constitutes a full, true and correct copy of the Ordinance duly passed by the Board of Aldermen of the City at a meeting duly and regularly held, after proper notice thereof, on March 20, 2018; that said Ordinance has not been modified, amended or repealed, and is in full force and effect as of the date hereof; and that the same is on file in my office.

WITNESS my hand and official seal this ____ day of _____, 2018.

City Clerk

(Seal)

**STATE ENVIRONMENTAL IMPROVEMENT AND
ENERGY RESOURCES AUTHORITY**

**STATE REVOLVING FUNDS PROGRAMS
TAX COMPLIANCE PROCEDURE**

Dated as of July 25, 2013

July 25, 2013

**STATE REVOLVING FUNDS PROGRAMS
TAX COMPLIANCE PROCEDURE**

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STATE REVOLVING FUNDS PROGRAMS
TAX COMPLIANCE PROCEDURE

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Capitalized words and terms used in this Compliance Procedure have the following meanings:

“**Authority Annual Compliance Checklist**” means a questionnaire and/or checklist described in **Section 6.2** and in the form attached as **Exhibit B**, or any replacement form as requested by Bond Counsel and approved by the Bond Compliance Officer, to be completed each year by the Bond Compliance Officer.

“**Authority**” means the State Environmental Improvement and Energy Resources Authority, a body corporate and politic and a governmental instrumentality of the State of Missouri.

“**Bond Compliance Officer**” means the Authority’s Deputy Director or, if the position of Deputy Director is vacant, the person filling the responsibilities of the Deputy Director for the Authority.

“**Bond Counsel**” means a law firm selected by the Authority to provide a legal opinion regarding the tax status of interest on the Tax-Exempt Bonds as of the issue date or the law firm selected to advise the Authority on matters referenced in this Compliance Procedure.

“**Bond Restricted Funds**” means the funds, accounts, and investments that are subject to arbitrage rebate and/or yield restriction rules that have been identified in the Tax Compliance Agreement for the Tax-Exempt Bonds.

“**Bond Transcript**” means the “transcript of proceedings” or other similarly titled set of transaction documents assembled by Bond Counsel following the issuance of the Tax-Exempt Bonds.

“**Clean Water Commission**” means the Clean Water Commission of the State of Missouri.

“**Clean Water Loan**” means a loan made to Clean Water Participants pursuant to the Clean Water SRF Direct Loan Program or the Clean Water SRF Leveraged Loan Program.

“**Clean Water Participant**” means a Missouri governmental entity that participates in the Clean Water SRF Direct Loan Program or the Clean Water SRF Leveraged Loan Program.

“**Clean Water SRF Direct Loan Program**” means DNR’s State of Missouri Direct Loan Program created in cooperation with the Clean Water Commission to provide financial assistance to Clean Water Participants to finance publicly owned wastewater treatment and sanitary sewerage facilities.

“**Clean Water SRF Leveraged Loan Program**” means the Missouri Leveraged State Clean Water Revolving Fund Program created by cooperative agreement among the Authority, DNR and the Clean Water Commission to provide financial assistance to Clean Water Participants to finance publicly owned wastewater treatment and sanitary sewerage facilities.

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

“Compliance Procedure” means this State Revolving Funds Programs Tax Compliance Procedure.

“Cost” or **“Costs”** means all costs and expenses paid for the acquisition, design, construction, equipping or improvement of a Financed Facility or costs of issuing Tax-Exempt Bonds for a Financed Facility.

“DNR” means the Missouri Department of Natural Resources, a department of the State of Missouri.

“Drinking Water Commission” means the Safe Drinking Water Commission of the State of Missouri.

“Drinking Water Loan” means a loan made to a Drinking Water Participant pursuant to the Drinking Water SRF Direct Loan Program or the Drinking Water SRF Leveraged Loan Program.

“Drinking Water Participant” means a Missouri governmental entity or nonprofit corporation that participates in the Drinking Water SRF Direct Loan Program or the Drinking Water SRF Leveraged Loan Program.

“Drinking Water SRF Direct Loan Program” means DNR’s State of Missouri Direct Loan Program created in cooperation with the Drinking Water Commission to provide financial assistance to Drinking Water Participants to finance publicly and privately owned drinking water treatment facilities.

“Drinking Water SRF Leveraged Loan Program” means the Missouri Leveraged State Drinking Water Revolving Fund Program created by cooperative agreement among the Authority, DNR and the Safe Drinking Water Commission to provide financial assistance to Drinking Water Participants to finance publicly and privately owned drinking water treatment facilities.

“Final Written Allocation” means the Final Written Allocation of Tax-Exempt Bond proceeds pursuant to **Section 7.4** or of Participant Loan proceeds pursuant to **Section 5.3**.

“Financed Facility” means that part of a Project Facility treated as financed with proceeds of a Participant Loan as reflected in a Final Written Allocation or, if no Final Written Allocation was prepared, the accounting records of the Trustee, the Authority or the Participant, as the case may be, and the Tax Compliance Agreement for the Tax-Exempt Bonds.

“Intent Resolution” means a resolution of the Authority or the Participant stating (1) the intent of the Authority or the Participant to finance all or a portion of the Project Facility, (2) the expected maximum size of the financing, and (3) the intent of the Authority or Participant to reimburse Costs of the Project Facility paid by the Authority or the Participant from proceeds of a Tax-Exempt Bond.

“IRS” means the Internal Revenue Service.

“Participant” means a Clean Water Participant or a Drinking Water Participant.

“Participant Annual Compliance Checklist” means a questionnaire and/or checklist described in **Section 5.4** and in the form attached as **Exhibit C**, or any replacement form as requested by Bond Counsel and approved by the Bond Compliance Officer, which is completed each year by a Participant.

“Participant Bond Compliance Officer” means the individual officer or employee of the Participant named as the primary individual responsible for post-issuance tax compliance by the Participant in connection with its Participant Loan.

“Participant Closing Certificate” means the closing certificate executed by the Participant in connection with the closing of the Participant Loan.

“Participant Loan” means a Clean Water Loan or a Drinking Water Loan.

“Placed In Service” means the date when the Project Facility is substantially complete and in operation at substantially its design level, as determined by the Participant Bond Compliance Officer or, in the absence of appropriate action by the Participant Bond Compliance Officer, by [DNR][the Bond Compliance Officer in consultation with DNR].

“Project Facility” means all tangible or intangible property financed in whole or in part with proceeds of a Participant Loan that are (1) functionally related or integrated in use, (2) located on the same physical site or proximate sites, and (3) expected to be Placed In Service within a one-year period of each other.

“Rebate Analyst” means the rebate analyst for the Tax-Exempt Bonds selected pursuant to the Tax Compliance Agreement.

“Regulations” means all regulations issued by the U.S. Treasury Department to implement the provisions of Code §§ 103 and 141 through 150 and applicable to tax-exempt obligations.

“Requisition” means a Clean Water Reimbursement Form or Drinking Water Reimbursement Form, submitted by a Participant and approved by DNR for each disbursement of Participant Loan proceeds.

“State Revolving Funds Programs” means, collectively, the Clean Water SRF Direct Loan Program, the Clean Water SRF Leveraged Loan Program, the Drinking Water SRF Direct Loan Program and the Drinking Water SRF Leveraged Loan Program.

“Tax Compliance Agreement” means a Federal Tax Certificate, Tax Compliance Agreement, Arbitrage Agreement, or other written certification or agreement of the Authority or the Participant (including Article V or similar article of a Purchase Agreement between the Participant and DNR or Exhibit to a Participant Closing Certificate), setting out representations and covenants for satisfying the post-issuance tax compliance requirements for the Tax-Exempt Bonds.

“Tax-Exempt Bonds” means any bond, note, installment sale agreement, lease or certificate intended to be a debt obligation of the Authority, the proceeds of which are to be loaned or otherwise made available to DNR to finance Participant Loans, and the interest on which is excludable from gross income for federal income tax purposes. A list of all Tax-Exempt Bonds outstanding and subject to this Compliance Procedure as of July 1, 2013, is attached as **Exhibit A**.

“Tax-Exempt Bond File” means documents and records which may consist of paper and electronic medium, maintained for the Tax-Exempt Bonds. Each Tax-Exempt Bond File will include the following information if applicable:

- (a) Intent Resolution. (Duplicate Copy Maintained by Bond Compliance Officer)
- (b) Bond Transcript. (Duplicate Copy Maintained by Bond Compliance Officer)

- (c) For each Participant Loan, a Final Written Allocation and/or all available accounting records related to the Financed Facility showing expenditures allocated to the proceeds of the Participant Loan and expenditures (if any) allocated to other sources of funds.
- (d) All rebate and yield reduction payment calculations performed by the Rebate Analyst and all investment records provided to the Rebate Analyst for purposes of preparing the calculations.
- (e) Forms 8038-T together with proof of filing and payment of rebate. (Duplicate Copy Maintained by Bond Compliance Officer)
- (f) Investment agreement bid documents (unless included in the Bond Transcript) including:
 - (1) bid solicitation, bid responses, certificate of broker;
 - (2) written summary of reasons for deviations from the terms of the solicitation that are incorporated into the investment agreement; and
 - (3) copies of the investment agreement and any amendments.
- (g) Any item required to be maintained by the terms of the Tax Compliance Agreement and Participant's Tax Compliance Agreement involving the use of the Financed Facility or expenditures related to tax compliance for the Tax-Exempt Bonds.
- (h) Any opinion of Bond Counsel regarding the Tax-Exempt Bonds not included in the Bond Transcript. (Duplicate Copy Maintained by Bond Compliance Officer)
- (i) Amendments, modifications or substitute agreements to any agreement contained in the Bond Transcript. (Duplicate Copy Maintained by Bond Compliance Officer)
- (j) Any correspondence with the IRS relating to the Tax-Exempt Bonds including all correspondence relating to an audit by the IRS of the Tax-Exempt Bonds or any proceedings under the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP). (Duplicate Copy Maintained by Bond Compliance Officer)
- (k) All completed Authority Annual Compliance Checklists and Participant Annual Compliance Checklists and any other questionnaires or correspondence substantiating compliance with the post-issuance tax requirements.
- (l) For refunding bond issues, the Tax-Exempt Bond File for the refunded Tax-Exempt Bonds.

“Trustee” means the corporate trustee named in a trust indenture or other similar document included in the Bond Transcript for the Tax-Exempt Bonds or the “Paying Agent” within the meaning of the documents executed by a Participant, DNR and the Paying Agent in connection with a Participant Loan made under the Clean Water SRF Direct Loan Program or the Drinking Water SRF Direct Loan Program.

ARTICLE II

PURPOSE AND SCOPE

Section 2.1. Purpose of Compliance Procedure.

(a) Authority's Use of Tax-Exempt Bonds. The Authority issues Tax-Exempt Bonds and funds Participant Loans or makes the proceeds available to DNR to fund, or reimburse DNR for funding of, certain Participant Loans, the proceeds of which finance Costs of a Project Facility. The Authority understands that in exchange for the right to issue Tax-Exempt Bonds at favorable interest rates and terms, the Code and Regulations impose ongoing requirements related to the proceeds of the Tax-Exempt

Bonds and the Financed Facility financed by the Tax-Exempt Bonds. These requirements focus on the investment, use and expenditure of proceeds of the Tax-Exempt Bonds and related funds as well as restrictions on the use of the Project Facility.

(b) IRS Recommends Separate Written Procedures. The Authority recognizes that the IRS has stated that all issuers of Tax-Exempt Bonds should have separate written procedures regarding ongoing compliance with the federal tax requirements for Tax-Exempt Bonds.

(c) Authority Commitment. The Authority is committed to full compliance with the federal tax law requirements for all of its outstanding and future issues of Tax-Exempt Bonds. This Compliance Procedure is adopted by the Authority to comply with IRS directives and to improve federal tax law compliance and documentation. Because each Participant is primarily responsible for the expenditure and investment of proceeds of its Participant Loan and the use of its Project Facility, this Compliance Procedure provides that each Participant will assume substantially all obligations related to post-issuance compliance for its Participant Loan. The Authority will assume responsibility for annually monitoring each Participant's compliance with the post-issuance tax requirements through use of the Participant Annual Compliance Checklists. The Authority will assume responsibility for ensuring compliance with the remaining post-issuance tax requirements for all Tax-Exempt Bonds primarily consisting of compliance with the arbitrage and rebate requirements.

Section 2.2. Scope of Compliance Procedure; Conflicts. This Compliance Procedure applies to all Participant Loans, both currently outstanding and issued in the future, and all Tax-Exempt Bonds, both currently outstanding and issued in the future. If the provisions of this Compliance Procedure conflict with a Tax Compliance Agreement or any specific written instructions of Bond Counsel, the terms of the Tax Compliance Agreement or specific written instructions of Bond Counsel will supersede and govern in lieu of this Compliance Procedure. Any exception to this Compliance Procedure required by Bond Counsel as part of a future issue of Tax-Exempt Bonds will be incorporated in the Tax Compliance Agreement for the future issue. Any requirements imposed on the Authority or a Participant in the Tax Compliance Agreement will be noted by the Bond Compliance Officer and incorporated into the Authority Annual Compliance Checklist and/or the Participant Annual Compliance Checklist.

Section 2.3. Amendments and Publication of Compliance Procedure. This Compliance Procedure may be amended from time-to-time by the Authority. Copies of this Compliance Procedure and any amendments will be included in the permanent records of the Authority.

ARTICLE III

BOND COMPLIANCE OFFICER; TRAINING

Section 3.1. Bond Compliance Officer Duties. The Bond Compliance Officer is responsible for implementing this Compliance Procedure. The Bond Compliance Officer will work with the Participants through each Participant Bond Compliance Officer, DNR and the Trustee to assist in implementing this Compliance Procedure. The Bond Compliance Officer will consult with Participants, DNR, Bond Counsel, legal counsel to the Authority, accountants, tax return preparers and other outside experts to the extent necessary to carry out the purposes of this Compliance Procedure. The Bond Compliance Officer will report to the Authority as necessary, and at least annually, regarding implementation of this Compliance Procedure and any recommended changes or amendments to this Compliance Procedure.

Section 3.2. Training.

(a) Training Programs. When appropriate, the Bond Compliance Officer and/or other employees of the Authority under the direction of the Bond Compliance Officer will attend training programs offered by the IRS or other industry professionals regarding Tax-Exempt Bonds that are relevant to the Authority.

(b) Change in Bond Compliance Officer. Any time an individual acting as the Bond Compliance Officer passes the responsibilities for carrying out the provisions of this Compliance Procedure to another individual, the Authority will ensure the incoming individual acting as Bond Compliance Officer is trained on how to implement the policies and procedures included in this Compliance Procedure to ensure the Authority's continued compliance with the provisions of this Compliance Procedure and all Tax Compliance Agreements for any outstanding Tax-Exempt Bonds.

ARTICLE IV

COMPLIANCE PROCEDURE FOR PARTICIPANT LOANS CURRENTLY OUTSTANDING

Section 4.1. Participant Loans Covered by Article IV Procedures. This Article IV applies to all Participant Loans issued prior to the date of this Compliance Procedure that are currently outstanding.

Section 4.2. Participant Contact. As soon as reasonably practical the Bond Compliance Officer will send to each Participant a copy of the Participant's Tax Compliance Agreement along with a letter reminding the Participant that pursuant to the Participant's Tax Compliance Agreement the Participant is responsible for post-issuance tax compliance related to record keeping, use of Participant Loan proceeds, and use of the Financed Facility.

Section 4.3. Annual Certification From Each Participant. As soon as practical following the adoption of this Compliance Procedure, the Bond Compliance Officer will request each Participant to confirm annually in writing its compliance with the terms of the Participant's Closing Certificate for the Participant Loan through use of a Participant Annual Compliance Checklist. The Bond Compliance Officer will use reasonable efforts to obtain a completed Participant Annual Compliance Checklist from each Participant and will retain the completed Participant Annual Compliance Checklist in the Tax-Exempt Bond File for the longer of the term of the Participant Loan or the Tax-Exempt Bond allocable to financing the Participant Loan (if any) plus three years.

Section 4.4. Correcting Prior Deficiencies in Compliance. If a Participant informs the Bond Compliance Officer of a deficiency in compliance with Participant's Tax Compliance Agreement for an outstanding Participant Loan allocable to an outstanding Tax-Exempt Bond listed on **Exhibit A**, the Bond Compliance Officer will consult with Bond Counsel and, as necessary or appropriate, follow the procedures described in the Regulations or the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP) to remediate the noncompliance. If remediation of the noncompliance requires the Authority to submit a request under VCAP, the Bond Compliance Officer will undertake this step only after reporting the violation to the Director of the Authority and obtaining the approval of the Director and/or the Authority, as deemed appropriate.

ARTICLE V

COMPLIANCE PROCEDURE FOR NEW PARTICIPANT LOANS

Section 5.1. Application. This Article V applies to Participant Loans made on or after the date of this Compliance Procedure.

Section 5.2. Prior to Issuance of Participant Loan.

(a) Intent Resolution. Prior to or as a part of the Participant Loan authorization process, the Participant may adopt an Intent Resolution. The Authority expects that Participants will usually adopt an Intent Resolution as part of their election call proceedings.

(b) Participant's Tax Compliance Agreement. For each Participant Loan, a Participant's Tax Compliance Agreement, including covenants related to the Participant's compliance with the post-issuance tax requirements, will be signed by the Participant Bond Compliance Officer or other duly authorized officer of the Participant. The Participant's Tax Compliance Agreement will (1) describe the Project Facility and the anticipated Financed Facility, (2) for new money financings, require the Participant to complete a Final Written Allocation, and (3) contain a form of the Participant Annual Compliance Checklist for the Participant Loan. The Participant Bond Compliance Officer is expected to confer with the Bond Compliance Officer and Bond Counsel or local bond counsel to the Participant regarding the meaning and scope of each representation and covenant contained in the Participant's Tax Compliance Agreement.

(c) Participant Loans; Preliminary Cost Allocations. The Participant Bond Compliance Officer in consultation with DNR, will prepare a preliminary cost allocation plan for the Project Facility to be funded from proceeds of a Participant Loan. The preliminary cost allocation plan will identify the assets and expected costs for the Project Facility, and when necessary, will break-out the portions of Costs that are expected to be financed with proceeds of the Participant Loan and the portions, if any, expected to be financed from other sources.

Section 5.3. Final Written Allocation of Participant Loan Proceeds. The Participant's Tax Compliance Agreement will include the Participant's agreement that its file of all Requisitions and supporting invoices provided to DNR with respect to the use of Participant Loan proceeds constitutes the Participant's Final Written Allocation of the application of proceeds of the Participant Loan to the Financed Facility. In addition, the Bond Compliance Officer may access DNR's compilation of Requisitions and supporting invoices to document the Participant's Final Written Allocation absent receipt of documentation from the Participant. The Participant may, with at least 60 days' prior written notice to, and the written consent of DNR, deliver a revised written reimbursement allocation to DNR if the revised allocation is accompanied by an Opinion of Bond Counsel. However, no revised reimbursement allocation will be made more than 18 months following the later of (A) the date of the expenditure or (B) the date the Financed Facility was Placed In Service, unless an Opinion of Bond Counsel is delivered to DNR and the Authority. For Participant Loans issued only to refund a prior Participant Loan, the Participant Bond Compliance Officer will work with the Bond Compliance Officer or Bond Counsel to prepare and/or document the Final Written Allocation for the Financed Facility financed by the refunded Participant Loan and include it as an attachment to the Participant's Tax Compliance Agreement or in the Tax-Exempt Bond File.

Section 5.4. Participant Annual Compliance Checklists; Reviews.

(a) Participant Annual Compliance Checklists. The Participant Bond Compliance Officer will be responsible for assembling and maintaining the information necessary to accurately complete the Participant Annual Compliance Checklist. Each Participant Bond Compliance Officer will be required to provide a completed Participant Annual Compliance Checklist, together with any supporting documentation, to the Director, Financial Assistance Center of DNR (and subsequently forwarded by the Director to the Bond Compliance Officer) or directly to the Authority.

(b) Review of Participant Annual Compliance Checklist. Each Participant Annual Compliance Checklist will be reviewed by legal counsel to the Participant or the Participant's local bond counsel for sufficiency and compliance with the Participant's Tax Compliance Agreement and this Compliance Procedure. Following the completion of the review, the Participant Bond Compliance Officer will execute the Participant's Annual Compliance Checklist.

ARTICLE VI

COMPLIANCE PROCEDURE FOR TAX-EXEMPT BONDS CURRENTLY OUTSTANDING

Section 6.1. Tax-Exempt Bonds Covered by Article VI Procedures. This Article VI applies to all Tax-Exempt Bonds issued prior to the date of this Compliance Procedure that are currently outstanding. These Tax-Exempt Bonds are listed on **Exhibit A**.

Section 6.2. Tax-Exempt Bond File; Annual Compliance Checklists. As soon as practical, the Bond Compliance Officer will attempt to assemble as much of the Tax-Exempt Bond File as is available for the Tax-Exempt Bonds listed on **Exhibit A**. As soon as practical, the Bond Compliance Officer will complete an Authority Annual Compliance Checklist for each outstanding Tax-Exempt Bond issue. The Bond Compliance Officer will use reasonable efforts to obtain a completed Participant Annual Compliance Checklist from each Participant. The Bond Compliance Officer will retain the completed Participant Annual Compliance Checklist and Authority Annual Compliance Checklist in the Tax-Exempt Bond File for the longer of the term of the Participant Loan or the Tax-Exempt Bond allocable to financing the Participant Loan (if any) plus three years.

Section 6.3. Correcting Prior Deficiencies in Compliance. In the event of a deficiency in compliance with the Tax Compliance Agreement for an outstanding Tax-Exempt Bond listed on **Exhibit A**, the Bond Compliance Officer will consult with Bond Counsel and, as necessary, follow the procedures described in the Regulations or the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP) to remediate the noncompliance. If remediation of the noncompliance requires the Authority to submit a request under VCAP, the Bond Compliance Officer will undertake this step only after reporting the violation to the Authority and obtaining its approval.

ARTICLE VII

COMPLIANCE PROCEDURE FOR NEW TAX-EXEMPT BONDS

Section 7.1. Application. This Article VII applies to Tax-Exempt Bonds issued on or after the date of this Compliance Procedure.

Section 7.2. Prior to Issuance of Tax-Exempt Bonds.

(a) Intent Resolution. The Authority will authorize and approve the issuance of Tax-Exempt Bonds. Prior to or as a part of the authorizing resolution, the Authority may adopt an Intent Resolution.

(b) Directions to Bond Counsel. The Bond Compliance Officer will provide a copy of this Compliance Procedure to Bond Counsel with directions for Bond Counsel to structure the documentation and procedural steps taken prior to issuing the Tax-Exempt Bonds so that they conform to the requirements of this Compliance Procedure, except to the extent Bond Counsel determines that different procedures are required. The Bond Compliance Officer will consult with Bond Counsel so that appropriate provisions are made to fund or reimburse the Authority's costs and expenses incurred to implement this Compliance Procedure. To the extent the Authority relies on or acts at the direction of the Participant, the Tax Compliance Agreement will contain appropriate provision for Authority indemnification by the Participant.

(c) Tax Compliance Agreement. For each Tax-Exempt Bond, the Authority will enter into a Tax Compliance Agreement including covenants related to compliance with the post-issuance tax requirements that will be signed by the Bond Compliance Officer or other duly authorized officer of the Authority. The Tax Compliance Agreement will (1) identify the Participant Loans being financed with proceeds of the Tax-Exempt Bond, (2) identify all Bond Restricted Funds and provide for arbitrage and rebate compliance, (3) for new money financings, assure each Participant is required to complete a Final Written Allocation, and (4) contain a form of the Authority Annual Compliance Checklist. The Bond Compliance Officer will review the Authority's Tax Compliance Agreement and, if deemed appropriate, confer with Bond Counsel and the Authority's counsel regarding the meaning and scope of each representation and covenant contained in the Authority's Tax Compliance Agreement.

(d) Preliminary Cost Allocations. For each Tax-Exempt Bond issuance, the Bond Compliance Officer will assure a preliminary cost allocation plan is prepared. The preliminary cost allocation plan will identify the Participant Loans or portions thereof to be financed with proceeds of the Tax-Exempt Bonds and the portions of the Participant Loans, if any, expected to be financed from other sources together with the proceeds expected to be used to finance costs of issuing or credit enhancement for the Tax-Exempt Bonds, including funding any reserve funds.

(e) Tax Review with Bond Counsel. Prior to the sale of Tax-Exempt Bonds, the Bond Compliance Officer and Bond Counsel will review this Compliance Procedure together with the draft Tax Compliance Agreement to ensure that any tax compliance issues in the new financing are adequately addressed by this Compliance Procedure and/or the Tax Compliance Agreement. If Bond Counsel determines that this Compliance Procedure conflicts with the Tax Compliance Agreement, or must be supplemented to account for special issues or requirements for the Tax-Exempt Bonds, the Bond Compliance Officer will ask Bond Counsel to include the written modifications or additions in the final Tax Compliance Agreement. The Bond Compliance Officer will request Bond Counsel to prepare a form of Authority Annual Compliance Checklist for use in monitoring the ongoing compliance requirements for the Tax-Exempt Bonds.

Section 7.3. Accounting and Recordkeeping. The Bond Compliance Officer will assure the accounting for the investment and allocation of proceeds of the Tax-Exempt Bonds is accomplished. The Bond Compliance Officer may use accounts established pursuant to a trust indenture for the Tax-Exempt Bonds to assist it in accounting for the investment and expenditure of Tax-Exempt Bonds. For Tax-Exempt Bonds that are issued to refund prior Tax-Exempt Bonds, the Tax Compliance Agreement will set out special accounting and allocation procedures for the proceeds of the financing, and if necessary

proceeds of the refinanced Tax-Exempt Bonds. The Bond Compliance Officer will be responsible for assembling and maintaining the Tax-Exempt Bond File.

Section 7.4. Final Allocation of Bond Proceeds.

(a) Preparation of Final Written Allocation; Timing. The Bond Compliance Officer will assure a written allocation of Tax-Exempt Bond proceeds to Participant Loans and other expenditures is prepared. This process will be memorialized in the Final Written Allocation. For a new money financing, the Bond Compliance Officer will commence this process as of the earliest of (1) the requisition of all Participant Loan proceeds from any segregated Tax-Exempt Bond funded account, (2) the date the Project Facilities have been substantially completed or (3) four and one-half years following the issue date of the Tax-Exempt Bonds. For Tax-Exempt Bonds issued only to refund a prior issue of Tax-Exempt Bonds, the Participant Bond Compliance Officer will work with the Participants and Bond Counsel to prepare and/or document the Final Written Allocation for the Financed Facility financed by the refunded Tax-Exempt Bonds and include it in the Tax Compliance Agreement.

(b) Contents and Procedure. The Bond Compliance Officer will consult the Tax Compliance Agreement and, if necessary, contact Bond Counsel to seek advice regarding any special allocation of Tax-Exempt Bond proceeds and other money to Participant Loans and other expenditures. If no special allocation is required or recommended, the Bond Compliance Officer will allocate proceeds of the Tax-Exempt Bonds in accordance with the Authority's accounting records. Each Final Written Allocation will contain the following: (1) a reconciliation of the actual sources and uses to fund Participant Loans, (2) the percentage of each Participant Loan financed with proceeds of the Tax-Exempt Bonds and (3) any special procedures to be followed in completing the Authority Annual Compliance Checklist.

(c) Finalize Authority Annual Compliance Checklist. As part of the preparation of the Final Written Allocation, the Bond Compliance Officer will update the draft Authority Annual Compliance Checklist contained in the relevant Tax Compliance Agreement. The Bond Compliance Officer will include reminders for all subsequent arbitrage rebate computations required for the Tax-Exempt Bonds in the Authority Annual Compliance Checklist.

(d) Review of Final Written Allocation and Authority Annual Compliance Checklist. Each Final Written Allocation and Authority Annual Compliance Checklist will be reviewed by legal counsel to the Authority or Bond Counsel for sufficiency and compliance with the Tax Compliance Agreement and this Compliance Procedure. Following the completion of the review, the Bond Compliance Officer will execute the Final Written Allocation.

ARTICLE VIII

ONGOING MONITORING PROCEDURES

Section 8.1. Annual Compliance Checklists. Participant Annual Compliance Checklists and the Authority Annual Compliance Checklist are to be completed annually. Each Participant Annual Compliance Checklist and Authority Annual Compliance Checklist will be designed and completed for the purpose of identifying potential noncompliance with the terms of the Participant's Tax Compliance Agreement, the Authority's Tax Compliance Agreement and this Compliance Procedure and obtaining documents (such as investment records, arbitrage calculations, or other documentation for the Financed Facility) that are required to be incorporated in the Tax-Exempt Bond File. The Bond Compliance Officer will refer any responses indicating a violation of the terms of the Tax Compliance Agreement to legal counsel to the Authority and Bond Counsel and, if recommended by counsel, will follow the procedure set out in **Section 6.3** to remediate the non-compliance.

Section 8.2. Arbitrage and Rebate Compliance. The Bond Compliance Officer will monitor the investment of Bond Restricted Funds and cause the Trustee to provide investment records to the Rebate Analyst on a timely basis. The Bond Compliance Officer will follow the directions of the Rebate Analyst with respect to the preparation of and the timing of rebate or yield reduction computations.

ADOPTED BY THE AUTHORITY
July 25, 2013

**EXHIBIT A TO
STATE REVOLVING FUNDS PROGRAMS TAX COMPLIANCE PROCEDURE**

**LIST OF TAX-EXEMPT BONDS
COVERED BY THIS COMPLIANCE PROCEDURE**

Series	Dated Issued	Final Maturity Date	Original Principal Amount	Description
1996D	6/12/1996	1/1/2019	14,185,000	Water Pollution Control Revenue Bonds (State Revolving Fund Program - Multiple Participant Series)
1996E	12/19/1996	1/1/2019	23,600,000	Water Pollution Control Revenue Bonds (State Revolving Fund Program - Multiple Participant Series)
1997D	6/5/1997	1/1/2019	24,060,000	Water Pollution Control Revenue Bonds (State Revolving Fund Program - Multiple Participant Series)
1997E	12/3/1997	1/1/2019	14,015,000	Water Pollution Control Revenue Bonds (State Revolving Fund Program - Master Trust)
1997F	12/3/1997	1/1/2018	2,500,000	Water Pollution Control Revenue Bonds (State Revolving Fund Program - Master Trust)
1998A	4/22/1998	1/1/2019	16,480,000	Water Pollution Control Revenue Bonds (State Revolving Fund Program - Master Trust)
1998B	12/2/1998	1/1/2020	45,875,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
1999A	6/3/1999	1/1/2020	47,970,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
1999B	12/2/1999	7/1/2020	13,870,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2000A	4/12/2000	7/1/2021	52,640,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2000B	11/21/2000	7/1/2021	41,485,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2001A	4/18/2001	1/1/2022	13,930,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2001B	6/26/2001	1/1/2019	122,060,000	Water Pollution Control Revenue Refunding Bonds (State Revolving Fund Program - Master Trust)

Series	Dated Issued	Final Maturity Date	Original Principal Amount	Description
2001C	11/20/2001	7/1/2023	112,280,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2002A	5/8/2002	1/1/2023	29,545,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2002B	11/7/2002	7/1/2023	103,065,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2003A	1/30/2003	1/1/2024	88,915,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2003B	4/9/2003	1/1/2025	39,940,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs - Master Trust)
2003C	11/20/2003	7/1/2025	27,895,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2004A	3/23/2004	7/1/2021	77,625,000	Water Pollution Control and Drinking Water Revenue Refunding Revenue Bonds (State Revolving Funds Programs)
2004B	5/28/2004	1/1/2027	179,780,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2004C	12/9/2004	1/1/2026	39,895,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2005A	5/19/2005	7/1/2026	53,060,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2005C	11/30/2005	7/1/2027	85,210,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2006A	4/27/2006	7/1/2027	87,505,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2006B	11/16/2006	7/1/2027	22,105,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2007A	5/1/2007	1/1/2028	57,430,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2007B	11/15/2007	1/1/2029	56,720,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2008A	10/30/2008	1/1/2029	69,435,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2010A	2/17/2010	1/1/2024	205,420,000	Water Pollution Control and Drinking Water Refunding Revenue Bonds (State Revolving Funds Programs)
2010B	11/17/2010	7/1/2030	65,920,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)

Series	Dated Issued	Final Maturity Date	Original Principal Amount	Description
2011A	11/30/2011	1/1/2025	106,830,000	Water Pollution Control and Drinking Water Refunding Revenue Bonds (State Revolving Funds Programs)
2013A	11/26/2013	1/1/2027	101,535,000	Water Pollution Control and Drinking Water Refunding Revenue Bonds (State Revolving Funds Programs)
2015A	2/5/2015	1/1/2036	29,935,000	Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs)
2015B	12/22/2015	7/1/2030	136,105,000	Water Pollution Control and Drinking Water Refunding Revenue Bonds (State Revolving Funds Programs)

**EXHIBIT B TO
STATE REVOLVING FUNDS PROGRAMS TAX COMPLIANCE PROCEDURE**

**SAMPLE ANNUAL COMPLIANCE CHECKLIST
(AUTHORITY)**

Name of tax-exempt bonds ("Bonds"):	_____
Issue Date of Bonds:	_____
Name of Bond Compliance Officer:	_____
Period covered by request ("Annual Period"):	_____

Item	Question	Response
1 Receipt of Participant Annual Compliance Checklists	Has the Bond Compliance Officer received a completed Participant Annual Compliance Checklist from each Participant for the above referenced Tax-Exempt Bond issue for the Annual Period?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<p>If the Bond Compliance Officer has not received a completed Participant Annual Compliance Checklist from a Participant, contact the applicable Participant and obtain a completed Participant Annual Compliance Checklist, review the Participant Annual Compliance Checklist for any responses which may raise a question regarding compliance with the Post-Issuance Tax Requirements and include a copy of the completed Participant Annual Compliance Checklist in the Tax-Exempt Bond File.</p> <p>If a response from any Participant raises a question regarding compliance with the Post-Issuance Tax Requirements, contact the Authority's legal counsel or Bond Counsel and include description of resolution in the Tax-Exempt Bond File.</p>	
2 Participant Final Written Allocation	For each Participant Project that has been Placed In Service, has a Final Written Allocation been completed for the Participant Project?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<p>If "Yes", include a copy of the final Participant Requisition in the Tax-Exempt Bond File.</p> <p>If "No", contact DNR and the applicable Participant Bond Compliance Officer to prepare a Final Written Allocation for the Participant's Project and include a copy of the final Participant Requisition in the Tax-Exempt Bond File.</p>	
3 Arbitrage & Rebate	Have all rebate and yield reduction calculations mandated in the Tax Compliance Agreement been prepared for the current year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If No, contact Rebate Analyst and incorporate report or include description of resolution in the Tax-Exempt Bond File.	

Bond Compliance Officer: _____
Date Completed: _____

**EXHIBIT C TO
STATE REVOLVING FUNDS PROGRAMS TAX COMPLIANCE PROCEDURE**

**SAMPLE ANNUAL COMPLIANCE CHECKLIST
(PARTICIPANT)**

Name of Participant:	
Name of bonds ("Bonds") financing the Financed Assets:	
Financed Assets: [NOTE: insert Project as defined in Purchase Agreement unless modified during construction]	
Issue Date of Bonds:	
Placed in service date of the Financed Assets:	
Name of Participant Bond Compliance Officer:	
Period covered by request ("Annual Period"):	

Item	Question	Response
1 Ownership	Were all of the Financed Assets owned by the Participant during the entire Annual Period?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "No," was an Opinion of Bond Counsel obtained prior to the transfer? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2 Leases and Other Rights to Possession	During the Annual Period, were any of the Financed Assets or any part of a Financed Asset leased at any time pursuant to a lease or similar agreement for more than 50 days (e.g., has the Participant entered into an agreement permitting a cell phone tower on a Bond-financed facility)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into the lease or other arrangement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Item	Question	Response
3 Management or Service Agreements	During the Annual Period, has the Participant entered into an agreement with another entity to manage the operation of the Financed Assets? (for example, does a private entity operate the System on behalf of the Participant)	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into a management agreement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4 Other Use	Was any agreement entered into with an individual or entity that grants special legal rights to the Financed Asset (e.g., has the Participant entered into a take or pay contract or similar agreement related to output from the Financed Assets)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into the agreement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Participant Bond Compliance Officer: _____

Date: _____

CONTRACT WITH JEFFREY R. KAYS, CITY ATTORNEY FOR CITY OF ASHLAND

THIS CONTRACT is entered into this _____ day of _____, 2018 by and between the CITY OF ASHLAND, State of Missouri (hereinafter referred to as "City"), and JEFFREY R. KAYS, an independent contractor.

WITNESSETH:

WHEREAS, City of Ashland Code Section 2.305 provides that the Ashland Board of Aldermen (hereinafter "ALDERMEN") are responsible for the appointment and removal of the CITY ATTORNEY, and

WHEREAS, the ALDERMEN, on behalf of the CITY acknowledges and accepts the responsibility for supervision of the CITY ATTORNEY; and

WHEREAS, the ALDERMEN are desirous of appointing a CITY ATTORNEY and wish to set the terms and conditions of said employment; and

WHEREAS, JEFFREY R. KAYS desires to accept the position of CITY ATTORNEY consistent with certain terms and conditions of said employment, as set forth in this CONTRACT.

NOW THEREFORE, the parties do mutually agree as follows:

Section 1. Effective Date

- A. The appointment of JEFFREY R. KAYS is effective _____ and shall expire on _____ unless sooner removed from office, and until his successor is appointed and qualified.
- B. Nothing in this Contract shall prevent, limit or otherwise interfere with the right of JEFFREY R. KAYS to resign at any time from his position with the CITY, subject to six weeks written notice to the CITY.
- C. Notwithstanding the existence of this contract and the term of the appointment contemplated herein, the parties agree that JEFFREY R. KAYS is an appointed official of the CITY OF ASHLAND, and his appointment is subject to termination as contemplated in the Ashland City Code, under the terms and conditions set forth therein. It is expressly agreed and understood that the terms of the Ashland City CODE supersede any contractual term or notion contained herein pertaining to the appointment and continued service of JEFFREY R. KAYS by and to the CITY OF ASHLAND. It is further understood that JEFFREY R. KAYS, is an independent contractor and therefore shall not be eligible for benefits as may be offered to other appointed, elected or hired employees or officials of the CITY OF ASHLAND.
- D. This contract shall remain in effect for as long as JEFFREY R. KAYS holds the position of City Attorney.

Section 2. Duties and Compensation

- A. CITY agrees to obtain JEFFREY R. KAYS as CITY ATTORNEY of the City of Ashland, State of Missouri to perform the functions and duties specified in the City of Ashland Code at Section 2.305.
- B. ALDERMEN agree to pay JEFFREY R. KAYS for his services rendered pursuant hereto One Hundred Fifty (\$150.00) per hour. There will not be a bill for mileage within Boone County, telephone, postage or routine copies. If travel outside of Boone County is required, related expenses would be reimbursed in accordance with travel policies for the City of Ashland employees and officials. Any litigation expenses advanced would be reimbursed at cost.

Section 3. Indemnification

In addition to that required under state and local law, CITY shall defend, save harmless, and indemnify JEFFREY R. KAYS against any claims, demands, cause of actions, losses, damages, expenses (including but not limited to attorney fees as may be authorized again public entities or officers consistent with state law) or liability of any kind whether stated in or arising from tort, professional liability or any other legal action or equitable theory, whether groundless or otherwise arising out of an alleged act or omission occurring in the performance of JEFFREY R. KAYS' duties as CITY ATTORNEY to the fullest extent permitted by law. CITY may compromise and settle any such claim or suit and shall pay the amount of any settlement or judgment rendered thereon. The duty and obligation of the CITY OF ASHLAND to indemnify, represent or hold harmless JEFFREY R. KAYS shall not extend to any intentional torts or criminal acts which may be performed by or alleged of JEFFREY R. KAYS in the performance of his duties hereunder, same being specifically excluded herefrom.

Section 4. Other Terms and Conditions of Employment

The ALDERMEN, in consultation with JEFFREY R. KAYS, shall fix any such other terms and conditions of employment, as it may determine from time to time, relating to the performance of JEFFREY R. KAYS, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this CONTRACT, the CITY CODE or any other law.

Section 5. General Provisions

- A. The text herein shall constitute the entire CONTRACT between the parties.
- B. This CONTRACT shall be binding upon and inure to the benefit of the heirs at law and executors of the parties.
- C. It is the intent of the ALDERMEN that this CONTRACT and the appointment of JEFFREY R. KAYS as CITY ATTORNEY are in accordance with the requirements and provisions of the CITY code. Wherever possible the provisions of this CONTRACT shall be construed in a manner consistent with CODE. If any provisions of this CONTRACT conflicts with Code, the Code shall control.

D. If any provisions, or any portion thereof, contained in this CONTRACT is held unconstitutional, invalid or unenforceable, the remainder of this CONTRACT, or portion thereof, shall be deemed severable, shall not be affected, and shall remain in full force and effect.

IN WITNESS WHEREOF, CITY and JEFFREY R. KAYS have executed this CONTRACT on the day and year set forth above.

Jeffrey R. Kays

Date

Gene Rhorer, Mayor

Date

ATTEST:

Darla Sapp, City Clerk

Date

GILMORE & BELL, P.C.
DRAFT – MARCH 12, 2018
FOR DISCUSSION PURPOSES ONLY

PURCHASE AGREEMENT

Dated as of March 1, 2018

by and between the

MISSOURI DEPARTMENT OF NATURAL RESOURCES

and the

CITY OF ASHLAND, MISSOURI

relating to

NOT TO EXCEED \$6,408,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS
(STATE OF MISSOURI – DIRECT LOAN PROGRAM)
SERIES 2018

OF THE

CITY OF ASHLAND, MISSOURI

PURCHASE AGREEMENT

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- Exhibit A. Form of Requisition
- Exhibit B. Federal Requirements
- Exhibit C. Initial Form of Annual Compliance Checklist
- Exhibit D. Authority's Tax Compliance Procedure

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this “Agreement”), dated as of March 1, 2018, is by and between the **MISSOURI DEPARTMENT OF NATURAL RESOURCES**, a department of the State of Missouri, its successors and assigns (“DNR”), and the **CITY OF ASHLAND, MISSOURI**, a fourth-class city and political subdivision of the State of Missouri (the “Participant”).

RECITALS

1. Pursuant to 10 CSR 20-4.010, 10 CSR 20-4.040 through 10 CSR 20-4.041 and 10 CSR 20-4.050 of the Code of State Regulations, DNR, in cooperation with the Clean Water Commission of the State of Missouri (the “Commission”), has developed and implemented the State of Missouri Direct Loan Program (the “Direct Loan Program”) and has stated its intent to make loans to political subdivisions of the State of Missouri.

2. The Commission has approved (a) loan to the Participant to be made by DNR pursuant to this Agreement (the “Loan”) and (b) the Grant pursuant to the Grant Agreement (each as defined below).

3. DNR and the Participant have determined to enter into this Agreement for the purposes of providing a portion of the financing for publicly owned wastewater treatment facilities (the “Project” as further described in this Agreement) and setting forth their covenants and agreements respecting the application of the net proceeds of the Loan to finance the Project.

4. The Loan will be evidenced by the Bonds (defined below) of the Participant in the form authorized by the Ordinance (defined below) delivered to DNR, as owner of the Bonds (the “Owner” as defined in the Ordinance).

5. As a condition to the execution and delivery of this Agreement, DNR has required that the Participant enter into the Escrow Agreement (defined below) with UMB Bank, N.A., as paying agent and escrow agent (the “Paying Agent”).

6. The Participant has passed the User Charge Ordinance (defined below) and DNR has reviewed and approved the User Charge Ordinance.

7. DNR and the Participant have determined to enter into this Agreement for the purposes of providing the financing for the Project and setting forth their covenants and agreements respecting the application of the net proceeds of the Bonds to finance the Project under the Direct Loan Program.

AGREEMENT

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. In addition to words and terms defined in the Recitals, elsewhere in this Agreement, including Article V, and in the Ordinance, capitalized words and terms have the following meanings in this Agreement:

“Actual Reimbursement Amount” means the amount of a Requisition approved for payment in accordance with Section 3.3.

“Authorized Representative” means any person designated in writing by a certificate executed by the Participant and filed with the Paying Agent and DNR.

“Bond Counsel” means Gilmore & Bell, P.C., or another attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing approved by a written instrument from DNR to the Participant and the Paying Agent.

“Bond Payments” means the amounts required to be paid by the Participant in repayment of the Bonds pursuant to Section 4.1.

“Bonds” means the Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2018 issued by the Participant pursuant to the Ordinance.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banking institutions in the State are authorized or required to be closed.

“Closing Date” means the date of the initial issuance and delivery of the Bonds.

“Completion of Funding” means the date, established by the Participant, that no further Requisitions will be submitted by the Participant, and therefore no further Purchase Price Installments will be funded by DNR, as evidenced by a written certificate executed by the Authorized Representative and filed with DNR and the Paying Agent.

“Costs of Issuance” means the costs of issuing the Bonds as certified by the Participant and the Master Trust Bonds Expense deposit made to the Administrative Expense Fund on the Closing Date.

“Disbursement” means each amount advanced from the Construction Fund to the Participant by the Paying Agent under this Agreement and Section 7 of the Escrow Agreement to pay Eligible Costs and Costs of Issuance, in an amount equal to the applicable Purchase Price Installment deposited by DNR pursuant to Section 3.3.

“Eligible Costs” means Project Costs determined by DNR to be eligible under the Regulations.

“EPA” means the Environmental Protection Agency.

“Escrow Agreement” means the Escrow Trust Agreement dated as of March 1, 2018, between the Participant and the Paying Agent, as supplemented, modified or amended in accordance with its terms.

“Event of Default” means an “Event of Default” as defined in Article VII.

“Federal Act” means the Federal Water Quality Act of 1987, 33 U.S.C. Section 1381, *et seq.*, as amended.

“Fiscal Year” means the fiscal year of the Participant, currently May 1 to April 30.

“Funding Sources” means the sources identified by DNR from time to time to fund the Loan, initially as described in Section 2.2.

“Grant” means the grant made by DNR to the Participant pursuant to the Grant Agreement, in the maximum amount of \$500,000 (or such higher amount as may be approved by the Commission and DNR), funded in installments.

“Grant Agreement” means the Financial Assistance Agreement dated on or prior to the Closing Date, between the Participant and DNR, together with all related attachments, as supplemented, modified or amended by the Participant and DNR.

“Ineligible Costs” means Project Costs that are not Eligible Costs.

“Initiation of Operations” means the date on which the operation (within the meaning of the Regulations) of the first operable segment of the Project commenced.

“Interest Period” means each six-month period from January 1 through June 30 and July 1 through December 31.

“Loan” means the loan by DNR to the Participant, funded in installments from the Funding Sources in accordance with, and subject to the terms and conditions of, this Agreement. The Loan is evidenced by the Bonds.

“Master Trust Agreement” means, as applicable, the Amended and Restated Master Trust Agreement dated as of March 1, 2004 or the Master Trust Agreement dated as of November 1, 2010, each between the Authority (as defined in Section 5.1) and the Master Trustee, as amended, supplemented or restated from time to time.

“Master Trust Bonds” means bonds of the Authority at any time outstanding and secured under the Master Trust Agreement.

“Master Trust Bonds Expense” means the amount of \$38,448.00, included in the amount deposited on the Closing Date in the Administrative Expense Fund.

“Master Trustee” means UMB Bank, N.A., St. Louis, Missouri, as master trustee under the applicable Master Trust Agreement, and any successor master trustee pursuant to a Master Trust Agreement.

“Maximum Principal Amount” means \$6,408,000.

“Ordinance” means the Ordinance of the Participant, passed on March 20, 2018, as supplemented, modified or amended in accordance with its terms.

“Project” means the acquisition, construction, improvement and equipping of wastewater facilities of the Participant further described as follows:

Improvements to the wastewater treatment plant will include construction of a new treatment plant within the existing treatment plant site, a headworks structure for removing large solids and grit, basins for oxidizing organic matter using air blowers followed by solids settling and disinfection, and new equipment for handling solids. The existing EDI ATLAS equipment will be decommissioned and the lagoon repurposed for flow equalization. Additionally, a new 30-inch diameter interceptor, approximately 1,250 feet long, will be installed from Liberty Lane to the plant headworks. The Project also includes

all necessary appurtenances to complete the work and have an operable system and all changes agreed to in writing by the Participant and DNR.

“Project Costs” means all costs or expenses which are necessary, incident or directly attributable to the Project, consisting of Eligible Costs and Ineligible Costs, if any.

“Project Schedule” means the schedule for completion of the Project that is estimated by the Participant to be the following as of the date of execution of this Agreement:

<u>Event</u>	<u>Projected Date (month/year)</u>
Advertising for bids	November 2017
Bid opening	January 2018
Construction contract award	April 2018
Initiation of Operations	March 2019
Construction completion	April 2019
Project completion	April 2019

“Regulations” means 10 CSR 20-4.010, 10 CSR 20-4.040 through 10 CSR 20-4.041 and 10 CSR 20-4.050 of the Code of State Regulations, as amended.

“Requisition” means a Clean Water Reimbursement Form in substantially the form of Exhibit A, with such changes as are approved by DNR with written notice to the Participant and the Paying Agent.

“State” means the State of Missouri.

“Supplemental Agreement” means any agreement supplementing or amending this Agreement pursuant to Section 8.6.

“User Charge Ordinance” means, collectively, Article III of Sub-Chapter A and Article III of Sub-Chapter of Chapter 14 of the Municipal Code of Ordinances of the Participant, as amended, supplemented or replaced.

Section 1.2 Interpretation.

(a) The words “herein,” “hereof” and “hereunder” and words of similar import, without reference to any particular section or subdivision, refer to this Agreement as a whole rather than to any particular section or subdivision of this Agreement.

(b) References in this Agreement to any particular article, section or subdivision hereof are to the designated article, section or subdivision of this Agreement as originally executed.

(c) The Table of Contents and titles of articles and sections herein are for convenience of reference only and are not a part of this Agreement, and shall not define or limit the provisions of this Agreement.

(d) Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine and vice versa.

(e) Words importing person shall include partnerships, limited liability companies, associations and corporations, including public bodies, as well as natural persons.

(f) Articles, sections, subsections and clauses mentioned by number only are those so numbered which are contained in this Agreement.

(g) Any opinion of counsel required under this Agreement shall be a written opinion of such counsel.

(h) Wherever an item or items are listed after the word "including," such listing is not intended to be a listing that excludes items not listed.

(i) When used in this Agreement, "day" means "calendar day."

Section 1.3 DNR Actions. All approvals, notices, consents and other actions of DNR under this Agreement (other than the execution of this Agreement and any amendments hereto) will be executed by the Director, Financial Assistance Center, Water Protection Program ("WPP") of DNR or any other person designated from time to time by the Director of DNR by a written instrument filed with the Participant and the Paying Agent.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1 Representations and Covenants of Participant. The Participant represents to and covenants with DNR, as follows:

(a) Organization and Authority.

(i) The Participant is a fourth-class city duly created and validly existing under the laws of the State and has the necessary power and authority to own its properties and carry on its governmental functions as now being conducted.

(ii) The Participant has full legal right and authority and all necessary licenses and permits required as of the date of this Agreement to own, operate and maintain the System, to carry on its activities relating to the System, to undertake and complete the Project, to execute and deliver this Agreement, to issue the Bonds, to pledge the sources for repayment of the Loan and the Bonds under this Agreement, the Ordinance and the Bonds, and to carry out its agreements under this Agreement.

(iii) The proceedings of the Participant's Governing Body approving this Agreement and authorizing the Participant to undertake and complete the Project have been duly and lawfully passed.

(iv) This Agreement, the Bonds, the Ordinance, the User Charge Ordinance and all other ordinances of the Participant authorizing the Participant to undertake and complete the Project have been duly authorized, executed and delivered by the Participant, and constitute the legal, valid and binding obligations of the Participant enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity.

(b) Full Disclosure. To the best knowledge of the Participant, after due investigation, there is no fact that the Participant has not disclosed to DNR in writing on the Participant's application for participation in the Direct Loan Program, or otherwise, that materially and adversely affects or that will materially and adversely affect the properties or activities of the Participant or the System, or the ability of the Participant to make all Bond Payments and otherwise observe and perform its agreements under this Agreement.

(c) Pending Litigation. To the best knowledge of the Participant, after due investigation, there are no proceedings pending or, to the knowledge of the Participant, threatened against or affecting the Participant, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Participant or the System, or the ability of the Participant to make all Bond Payments and otherwise observe and perform its agreements under this Agreement, that have not been disclosed in writing to DNR in the Participant's application for participation in the Direct Loan Program or otherwise.

(d) Compliance with Existing Laws and Agreements. The agreements of the Participant in this Agreement will not constitute a default under any indenture, mortgage, deed of trust, lease or agreement or other instrument executed by the Participant or by which it or any of its property is bound or any applicable law, rule, regulation or judicial proceeding.

(e) No Defaults. No event has occurred and no condition exists that constitutes or, with the giving of notice or the lapse of time, would constitute an Event of Default. To the knowledge of the Participant, after due investigation, the Participant is not in violation of any agreement that would materially adversely affect the ability of the Participant to make all Bond Payments or otherwise observe and perform its agreements under this Agreement.

(f) Governmental Consent. To the best of its knowledge, the Participant has made all filings which it is obligated to make with, and has obtained all permits, licenses, franchises, consents, authorizations and approvals required to date from, all federal, state and local regulatory agencies having jurisdiction to the extent, if any, required by applicable laws and regulations to be made or to be obtained in undertaking the Project or this Agreement. To the best of its knowledge, the Participant has complied with all applicable provisions of law requiring any notification to any governmental body or officer in connection with this Agreement or with the undertaking, completion or financing of the Project.

(g) Source for Repayment. The Participant has established a dedicated revenue source for the repayment of the Loan. The dedicated source of revenue includes a system of service charges or other source of revenue established under the Ordinance for such purpose.

(h) Performance Under Agreement. The Participant covenants and agrees:

(i) to comply with all applicable State and federal laws, rules and regulations in the performance of this Agreement, including federal laws and executive orders referenced in Exhibit B to the extent applicable; and

(ii) to cooperate with DNR in the timely observance and performance of the respective agreements of the Participant and DNR under this Agreement.

(i) Control of Project Site. The Participant will provide, or has provided, written assurance to DNR, signed by an attorney, that the Participant has proper title, easements, and rights-of-way to the

property on or through which the Project is to be constructed. This written assurance will be provided prior to construction contract award.

(j) Bid Solicitations. Executive Order 12549 – Debarment and Suspension establishes procedures which require EPA to deny any individual, organization, or unit of government the opportunity to participate in federally-assisted programs because of misconduct or poor performance. All records from CCR/FedReg, ORCA, and EPLS, active or expired, were moved to the System for Award Management (SAM). The Participant can search these records and filter the results. The following paragraph must be included in the Instructions to Bidders:

“The Code of Federal Regulations at Title 2, Part 180, prohibits participation in EPA funded contracts by persons excluded or disqualified from doing business with the federal government. Bidders are responsible for advising the Owner if they are excluded or disqualified, and to check whether subcontractors they intend to use are excluded or disqualified. All tiers of subcontractors have the same responsibility to notify the one for which they are providing services if they are excluded or disqualified, and to check the status of any subcontractors they intend to use. Status can be checked on the System for Award Management (SAM) located on the Internet at <https://www.sam.gov/portal/public/SAM/>. All subcontracts at any tier should include this language.”

The Participant acknowledges that doing business with any party appearing in the “List of Parties Excluded from Federal Procurement or Non Procurement Programs” may result in the termination of the Participant’s participation in the Direct Loan Program and may also result in suspension or debarment under the Regulations. The Participant will obtain the written approval of DNR before advertising for bids.

(k) Buy American Iron and Steel Products. In accordance with Sec. 608.(a) of the Federal Water Pollution Control Act, the Participant assures that it, as well as its contractors and subcontractors, will only use iron and steel products in the Project which are produced in the United States in a manner consistent with United States obligations under international agreements. The term “iron and steel products” means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials. The Participant understands that this requirement may only be waived by the applicable federal agency in limited situations as set out in Sec. 608.(d) of the Federal Water Pollution Control Act.

(l) Performance and Payment Bonds. The Participant will require any Project contractor to post a separate performance bond and a separate payment bond or other security approved by DNR, each in the amount of the bid.

(m) Disadvantaged Business Enterprises (“DBEs”).

(1) The Participant will ensure that DBEs have the opportunity to compete as sources for the procurement of supplies, equipment, construction and services related to this Agreement. The Participant agrees to include information about these requirements in solicitation documents, including the following:

(A) the prime contractor must pay its subcontractor for satisfactory performance no more than 30 days from the prime contractor’s receipt of payment from the Participant;

(B) the Participant must be notified in writing by its prime contractor prior to any termination of a DBE subcontractor for convenience by the prime contractor;

(C) if a DBE subcontractor fails to complete work under its subcontract for any reason, the prime contractor must employ the "six good faith efforts" described in subparagraph (2) if soliciting a replacement subcontractor; and

(D) the prime contractor is to employ the "six good faith efforts" even if the prime contractor has achieved its "fair share goals" (the current "fair share goals" are 10% for Minority Business Enterprises ("MBE") and 10% for Women Business Enterprises ("WBE")).

(2) The "six good faith efforts" are:

(A) ensuring DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities, including placing qualified DBEs on solicitation lists whenever they are potential sources;

(B) making information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process, including, whenever possible, posting solicitations for bids or proposals for a minimum of 30 calendar days before bid or proposal closing date;

(C) dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation by DBEs in the competitive process;

(D) encouraging contracting with a consortium of DBEs when a contract is too large for any one DBE to handle on its own;

(E) using the services of the Small Business Administration and the Minority Business Development Agency of the U.S. Department of Commerce; and

(F) requiring any prime contractor or other recipient, if it is awarding subcontracts, to take the affirmative steps in clauses (A) through (E) of this subparagraph.

(3) DBE Reporting: MBE/WBE reporting is required where there are funds budgeted for procuring construction, equipment, services and supplies, that exceed the threshold amount of \$150,000, including any amendments and/or modifications. Once the threshold is exceeded, all procurement actions are reportable, not just that portion which exceeds the threshold. The Participant shall utilize EPA form 5700-52A to annually report to DNR procurements for the Project. Annual reports are due by October 30th of each year. Final reports are due by October 30th or 90 days after completion of construction of the Project, whichever comes first.

(n) Davis-Bacon Act Requirements. The Participant will require any Project contractor and subcontractor to pay all laborers and mechanics employed by the contractor or subcontractor at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with Subchapter IV of Chapter 31 of Title 40, United States Code (Davis-Bacon Act), as required by Sec. 602(b)(6) of the Federal Water Pollution Control Act. The Participant agrees to include information about these requirements in solicitation documents.

(o) Contract Award. The Participant, with the prior written concurrence of DNR, will award any construction contract or contracts for the Project to the lowest responsive and responsible bidder.

(p) Completion of Project and Provision of Moneys. The Participant agrees:

(i) to exercise its best efforts in accordance with prudent wastewater collection and treatment utility practice to complete the Project in a timely manner in accordance with the Project Schedule;

(ii) subject to the provisions of the Ordinance, to provide from its own financial resources all moneys in excess of the amount available under this Agreement required to complete the Project; and

(ii) subject to the provisions of the Ordinance, to provide from its own financial resources all moneys in excess of the amount available under this Agreement and the Grant Agreement required to complete the Project.

(q) Requests for Funding; Use of Proceeds. The Participant will request the funding of Purchase Price Installments to pay Eligible Costs in accordance with this Agreement to the extent the sum of Purchase Price Installments and Costs of Issuance has not exceeded the Maximum Principal Amount, in order to provide for the prompt payment of the contractors. The Participant will apply the Disbursements to finance a portion of the Project Costs, and, where applicable, to reimburse the Participant for a portion of the Project Costs, which portion was paid or incurred in anticipation of reimbursement from moneys held in the Construction Fund and is eligible for reimbursement pursuant to the Regulations. All costs will be Eligible Costs that DNR is authorized to finance pursuant to the Federal Act and the Regulations.

(r) Notice of Completion. The Participant will provide written notice of the Initiation of Operations and the completion of construction of the Project to DNR within 45 days after the occurrence of each of these events.

(s) Compliance Certification. This paragraph is applicable if DNR notifies the Participant in writing that the actions described in this paragraph are required. On the first anniversary of the Initiation of Operations the Participant will certify to DNR whether the Project meets the Project performance standards. Any statement of noncompliance must be accompanied by a corrective action report containing an analysis of the cause of the Project's failure to meet performance standards, the actions necessary to bring it into compliance and a projected date for positive certification of the Project. Timely corrective action will be implemented by the Participant.

(t) Retention of Project Records. The Participant will retain all Project records related to the planning, design and construction of the Project for a minimum period of four years following the Completion of Funding. The Participant will retain all Project records related to post-construction activities for a minimum period of four years following the repayment of the Loan.

(u) Operations and Maintenance of System; User Charge Ordinance. The Participant will, in accordance with prudent wastewater collection and treatment utility practice,

(i) at all times operate the System in an efficient manner,

(ii) maintain the System in good repair, working order and operating condition over the structural and design life of the System,

(iii) implement the User Charge Ordinance as approved by DNR prior to the Initiation of Operations and for the term of the Loan, and

(iv) in accordance with 10 CSR 20-9.020(2) of the Regulations provide a certified operator for the life of the System.

(v) Records and Accounts; Audits.

(i) The Participant will keep accurate records and accounts for the System (the "System Records") separate and distinct from its other records and accounts (the "General Accounts"). The System Records and General Accounts will be available for inspection by DNR at any reasonable time.

(ii) The Participant will maintain the System Records in accordance with accounting principles generally accepted in the United States of America as codified in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards (Codification)*.

(A) The Participant will use the accrual or modified accrual basis of accounting (in order to provide an effective measure of costs and expenditures) for the System Records.

(B) The Participant may use an accounting method other than accounting principles generally accepted in the United States of America for its General Accounts.

(iii) The Participant will comply with OMB Circular No. A-133 or OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grants Guidance), governing the audit of state and local governments, as determined by the EPA's Guidance Letter dated December 24, 2014, if the Participant expends during any Fiscal Year an aggregate amount of \$500,000 (or \$750,000, if OMB's Uniform Grants Guidance is applicable) or more of federal assistance (1) under the SRF Leveraged Program and the Direct Loan Program and (2) from other federal sources.

(A) A copy of the Participant's annual audit, including the written comments and recommendations of the Participant's auditor, will be furnished to DNR within the time period provided in OMB Circular No. A-133 or in OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grants Guidance), as applicable.

(B) The amount of federal assistance to the Participant under the SRF Leveraged Program and Direct Loan Program for each Fiscal Year will be identified in each payment review letter transmitted to the Participant by DNR.

(iv) In accordance with, and subject to the requirements of, Section 29.235, RSMo, the Participant will (A) make available to the State auditor, or his designee, all books, accounts, records, reports, vouchers and other documents relating to the Project and the Loan and (B) permit the examination and inspection of all property, equipment and facilities constituting the Project.

(w) Inspections; Information. The Participant will permit the EPA, the Paying Agent, DNR and any party designated by DNR to examine, visit and inspect the Project at any reasonable time and to

inspect and make copies of any accounts, books and records, including its records regarding receipts, disbursements, contracts, investments, its financial condition and other related matters, and will supply the reports and information as the EPA, the Paying Agent and DNR may reasonably require in that connection.

(x) Insurance. The Participant will carry and maintain the amount of all risk insurance on the properties and operations of the System as would be carried by similar municipal operators of wastewater collection and treatment facilities, insofar as the properties are insurable at a commercially reasonable cost.

(y) Notice of Material Adverse Change. The Participant will promptly notify DNR of any material and adverse change in the activities, prospects or condition (financial or otherwise) of the System or in the ability of the Participant to make the Bond Payments and otherwise observe and perform its agreements under this Agreement.

(z) Completion Required Without Regard to Sufficiency of Loan. Subject to the provisions of the Ordinance, the Participant agrees to complete the Project whether or not the Loan is sufficient to complete the Project.

(aa) Signage. The Participant agrees to comply with the Guidelines for Enhancing Public Awareness of SRF Assistance Agreements, issued by EPA and dated June 3, 2015.

Section 2.2 Representations of DNR. DNR represents as follows:

(a) DNR is a department of the State and a governmental instrumentality duly organized and existing under the laws of the State with lawful power and authority to enter into this Agreement acting by and through its duly authorized officers.

(b) DNR is the State's administrative body responsible for the enforcement of the Federal Act and Chapter 644 RSMo, and is responsible for the management of the Direct Loan Program. DNR will comply with the terms and conditions of its agreements with EPA applicable to the Direct Loan Program.

(c) DNR commits to fund the Loan from the following sources (provided DNR may modify the sources if DNR has the legal authority to commit the replacement sources to the funding of the Loan):

(i) Grant Agreement dated September 29, 2016, identification number CS-29000121-0; and

(ii) The Water and Wastewater Loan Revolving Fund.

(d) The execution, delivery and performance of this Agreement by DNR will not result in a breach of any of the terms of, or constitute a default under, any indenture, mortgage, deed of trust, lease or agreement or other instrument to which DNR is a party or by which it or any of its property is bound or any applicable law, rule or regulation.

ARTICLE III

EXECUTION OF AGREEMENT; TERMS OF LOAN

Section 3.1 Execution and Delivery of Agreement. Simultaneously with the execution of this Agreement, the Participant will deliver the following:

(a) to DNR and the Paying Agent, a certified copy of the Ordinance and an excerpt from the minutes of the meeting of the Participant's Governing Body showing the passage of the Ordinance;

(b) to the Paying Agent, the executed Bonds in the maximum principal amount of \$6,408,000, to be held by the Paying Agent in trust on behalf of the Owners;

(c) to DNR and the Paying Agent, an executed counterpart of this Agreement, the Grant Agreement and the Escrow Agreement;

(d) to DNR and the Paying Agent, a certificate of the Participant executed by the Authorized Representative in form and substance satisfactory to DNR; and

(e) to DNR and the Paying Agent, a signed copy of the opinion of Bond Counsel to the Participant to the effect that the execution and delivery of this Agreement, the Escrow Agreement, and the Bonds have been duly authorized by the Participant in accordance with the Act; this Agreement, the Escrow Agreement and the Bonds have been duly and validly executed and delivered by the Participant and constitute valid and binding obligations of the Participant enforceable in accordance with their terms; and the Bonds are valid and binding limited obligations payable solely from the net income and revenues derived by the Participant from the operation of the System, after providing for the costs of operation and maintenance thereof; and will address whether the Bonds are issued on parity with, or are junior and subordinate to, any outstanding bonds of the Participant. In rendering the foregoing opinion, Bond Counsel may take an exception on account of bankruptcy, insolvency and other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles.

Section 3.2 Maximum Principal Amount of Loan. Subject to the provisions of this Agreement, DNR will make the Loan in installments to the Participant in the maximum aggregate principal amount of \$6,408,000 to pay Eligible Costs of the Project and to pay Costs of Issuance. The Maximum Principal Amount may be reduced without revision of any other terms, provisions or conditions of this Agreement to reflect reductions in the estimated or actual total Eligible Costs as impacted by opening of bids for construction, change orders, final actual costs, and prepayments. The Loan is evidenced by the Bonds.

Section 3.3 Funding of Purchase Price Installments and Disbursements.

(a) DNR will fund Purchase Price Installments and moneys will be disbursed from the Construction Fund to the Participant only once each calendar month in accordance with this Section and the Escrow Agreement. DNR will not fund a Purchase Price Installment in the months of June and December after the date that is two Business Days prior to the 15th calendar day of those months, unless (i) the Participant has made special arrangements with DNR and the Paying Agent to assure that interest on the Bonds payable on the following Interest Payment Date will be calculated and payment received by

the Paying Agent not less than two Business Days prior to the Interest Payment Date, and (ii) DNR and the Paying Agent have agreed to the special arrangements, in their sole discretion.

(b) The Participant will deliver, by overnight delivery or regular mail service, a completed Requisition to DNR. The Requisition must be executed by the Authorized Representative, set forth the amounts due and payable to the payees identified in signed invoices or statements attached to the Requisition submitted to DNR, and contain any additional information requested by DNR. The execution and delivery of a Requisition will constitute a representation by the Participant that, to the best of its knowledge, the amounts for which a Requisition is submitted are due and payable and constitute Eligible Costs and/or Costs of Issuance.

(c) DNR will use its best efforts to review a Requisition within ten Business Days after its receipt to determine if any Project Costs are Ineligible Costs. This determination will be conclusive, unless determined otherwise by EPA in its annual oversight reviews. DNR will notify the Paying Agent of DNR's approval of the Requisition in whole or in part by transmitting to the Paying Agent the approved Requisition by facsimile transmission. The approved Requisition will not be accompanied by applicable vouchers and statements. DNR will not approve any Requisition upon an Event of Default by the Participant or the issuance of a stop-work order by EPA or DNR.

(d) Upon DNR's approval of a Requisition, DNR will fund a Purchase Price Installment of the Bonds in an amount equal to the Actual Reimbursement Amount by electronic transfer of funds to the Paying Agent for deposit by the Paying Agent in the Construction Fund.

(e) Subject to Section 7 of the Escrow Agreement, the Paying Agent will pay the Actual Reimbursement Amount to the Participant within two Business Days after the Paying Agent's receipt of the approved Requisition.

Section 3.4 Completion of Project and Initiation of Operations. The completion of the Project shall be evidenced to the Paying Agent and DNR by a certificate signed by the Authorized Representative stating (i) that the Project has been completed in accordance with the plans and specifications therefor, (ii) that all Project Costs have been paid, except Project Costs the payment of which is not yet due or is being retained or contested in good faith by the Participant, (iii) the Initiation of Operations, and (iv) that the Project meets National Pollution Discharge Elimination System ("NPDES") permit limits, if applicable. The Participant's certificate must be accompanied by a certification by the Consulting Engineer that the Project was constructed in accordance with the approved plans and specifications and, if applicable, meets NPDES permit limits. The Participant's certificate may state that it is given without prejudice to any rights of the Participant against third parties which exist at the date of the certificate or which may subsequently come into being.

Section 3.5 Completion of Funding.

(a) The Completion of Funding will be the date of a certificate signed by the Authorized Representative stating that no further funding of installments of the Bonds will be requested by the Participant and delivered to the Paying Agent and DNR. DNR may direct the Participant to sign and deliver a Completion of Funding certificate in appropriate circumstances. Appropriate circumstances include, but are not limited, to the following:

(i) the Participant appears to have satisfied or is in a position to satisfy the conditions set forth in Section 3.4 for completion of the Project and/or has filed the certificate described in Section 3.4 but has not filed the Completion of Funding certificate in a timely manner;

(ii) the Participant has not submitted a Requisition for a significant period of time or otherwise demonstrated that the Participant is proceeding with due diligence to complete the Project; or

(iii) Completion of Funding has not occurred by the third anniversary of the Closing Date, unless the Participant, by written request to DNR, requests an extension and establishes to the satisfaction of DNR that Completion of Funding will occur within a reasonable period thereafter.

(b) Within 10 Business Days after the Participant has delivered the Completion of Funding certificate, DNR will provide a final debt service schedule and replacement Exhibit B (Mandatory Sinking Fund Redemption Schedule) to the Ordinance.

ARTICLE IV

PAYMENTS

Section 4.1 Bond Payments.

(a) The Participant will repay the Loan by making the Bond Payments in accordance with the Ordinance.

(b) The Participant represents that the first scheduled principal payment of the Bonds is prior to the first anniversary of the expected Initiation of Operations.

Section 4.2 Additional Payments. The Participant will pay the Administrative Fee and the Paying Agent's fees and expenses pursuant to Section 211 of the Ordinance.

Section 4.3 Disposition of Remaining Moneys. Upon the payment in full of the Bonds and the payment of the Administrative Fee, the Paying Agent's Fee and expenses and the extraordinary fees and expenses of the Paying Agent, if any, the Paying Agent will disburse the moneys and Investment Securities remaining in the Repayment Fund to the Participant.

ARTICLE V

TAX REPRESENTATIONS AND COVENANTS

Section 5.1 Meaning of Words and Terms. Words and phrases used in this Article generally have the meanings assigned in §§ 103 and 141-150 of the Internal Revenue Code of 1986, as amended (the "Code"), in the applicable regulations and rulings issued by the U.S. Treasury Department (the "Treasury Regulations"), and in Article I. In addition to words and terms defined in this Agreement, the following words and terms used in this Article have the following meanings:

"Annual Compliance Checklist" means a questionnaire and/or checklist that is completed each year for the Bonds by the Participant, as set forth in the Tax Compliance Procedure, initially in the form set forth in Exhibit C, executed by the Participant Bond Compliance Officer.

"Authority" means the State Environmental Improvement and Energy Resources Authority, a body corporate and politic and a governmental instrumentality of the State.

“Authority Bond Compliance Officer” means the Deputy Director of the Authority or any successor officer tasked with post-issuance compliance duties pursuant to the Tax Compliance Procedure.

“Bond Transcript” means the “transcript of proceedings” or other similarly titled set of transaction documents assembled by Bond Counsel following the issuance of the Bonds.

“Bond Year” means each one-year period (or shorter period for the first Bond Year) ending July 1.

“Code” means the Internal Revenue Code of 1986, as amended.

“Final Written Allocation” means the Final Written Allocation of Bond proceeds prepared pursuant to Section 5.9.

“Financed Facility” means the portion of the Project consisting of property financed or refinanced with the proceeds of the Bonds as described in this Agreement. If there is more than one “Project” described in the definition of “Project” in Article I, for this Article V “Financed Facility” means the Bond-financed portion of each “Project” described in Article I.

“Investment” means any security, obligation, annuity contract or other investment-type property that is purchased directly with, or otherwise allocated to, gross proceeds of the Bonds. This term does not include a tax-exempt bond, except for “specified private activity bonds” as defined in Code § 57(a)(5)(C), but it does include the investment element of most interest rate caps.

“Issue Date” means the date of issuance of the Bonds, which is the first date that the sum of the initial installment of the Bonds and subsequent Purchase Price Installments is greater than \$50,000.

“Measurement Period” means, with respect to each item of property financed as part of the Financed Facility, the period beginning on the later of (a) the Issue Date or (b) the date the property is placed in service and ending on the earlier of (i) the final maturity date of the Bonds or (ii) the expected economic useful life of the property.

“Non-Qualified User” means a person other than a Qualified User.

“Opinion of Bond Counsel” means the written opinion of a firm of nationally recognized Bond Counsel acceptable to the Authority to the effect that the proposed action or the failure to act will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

“Participant Bond Compliance Officer” means the Participant’s City Administrator or any successor to the duties of such official.

“Post-Issuance Tax Requirements” means those requirements related to the use of proceeds of the Bonds, the use of the Financed Facility and the investment of gross proceeds of the Bonds after the Issue Date.

“Qualified User” means a State, territory, a possession of the United States, the District of Columbia, or any political subdivision thereof or any instrumentality of such unit. The term “Qualified User” does not include the United States or any agency or instrumentality thereof.

“Tax Compliance Procedure” means the Authority’s State Revolving Funds Programs Tax Compliance Procedure dated as of July 25, 2013, attached as Exhibit D.

Section 5.2 General. The Bonds are being issued for the purpose of providing funds to pay the costs of the Financed Facility. The Participant acknowledges and agrees that, in order to induce DNR to provide favorable financing through the Program by the purchase of the Bonds and the Authority to issue its Master Trust Bonds from time to time, the Participant makes the representations and covenants related to the Post-Issuance Tax Requirements as set forth in this Article for the benefit of DNR and the Authority.

Section 5.3 Authority and Purpose for Bonds. The Bonds are being issued for the purpose of providing funds to pay the costs of the Financed Facility.

Section 5.4 Proceeds of Bonds; Other Sources.

(a) *Amount of Bond Proceeds*. The total maximum proceeds to be received by the Participant from the sale of the Bonds will be \$6,408,000, funded in installments, as follows: (i) the initial purchase price installment of the Bonds paid to the Paying Agent on the Closing Date in the amount of \$118,688.00, and (ii) the balance funded from time to time pursuant to the Purchase Agreement and deposited in the Construction Fund in accordance with the Escrow Agreement. The Participant expects to request the funding of additional installments in the months and the amounts as set forth in the Participant's due diligence questionnaire filed with DNR.

(b) *Other Sources*. In addition to proceeds of the Bonds disbursed from time to time pursuant to the Purchase Agreement, the Participant will allocate the following additional funds to pay a portion of the costs of the Project:

(i) the amount of \$500,000.00 from available grant funds under the Grant Agreement; and

(ii) the amount of \$194,149.00 from other legally available funds of the Participant.

Section 5.5 Governmental Bond Tests and Related Requirements.

(a) *General*. The Participant will not use any portion of the Bond proceeds, including any Investment earnings on Bond proceeds, directly or indirectly, nor permit the use of any portion of the Financed Facility, in a manner that would cause any Bond to be a "private activity bond" as defined in Code § 141.

(b) *Use of Financed Facility*. The Bond proceeds will be used to finance or refinance the Financed Facility. Throughout the Measurement Period, all property comprising the Financed Facility will be owned by the Participant. Not more than 10% of the proceeds of the Bonds will be used in a manner that constitutes a "private business use" during the Measurement Period. In making the foregoing representations the Participant acknowledges that (i) use of the property comprising the Financed Facility is determined annually throughout the Measurement Period; (ii) the use of the Financed Facility is treated as the direct use of proceeds of the Bonds; (iii) the term "private business use" generally means ownership or lease by, or other use in the trade or business of, a Non-Qualified User; (iv) any activity carried on by a Non-Qualified User other than a natural person is treated as a trade or business; (v) the Financed Facility is treated as being used for a private business use if it is leased to a Non-Qualified User and subleased to a Qualified User, or leased to a Qualified User and then subleased to a Non-Qualified User, if the Non-Qualified User's use is in a trade or business; and (vi) in most cases, use of the Financed Facility constitutes private business use only if a Non-Qualified User has special legal entitlements to use the Financed Facility under an arrangement with the Participant.

(c) *Private Security or Payment.* The payment of principal and interest on the Bonds will not be (under the terms of the Bonds or any underlying arrangement) directly or indirectly:

(1) secured by (i) any interest in property used or to be used for a private business use, or (ii) any interest in payments in respect of such property; or

(2) derived from payments (whether or not such payments are made to the Participant in respect of property or borrowed money) used or to be used for a private business use.

For purposes of the foregoing, taxes of general application are not treated as a private payment or as private security so long as no taxpayer enters into any “impermissible agreement” with respect to the collection or payment of the tax as described in Treasury Regulations § 1.141-4(e)(4)(ii). The Participant will use revenues derived from the operation of the Financed Facility to pay the debt service on the Bonds. All revenues will be derived from rates that are generally applicable and uniformly applied, and which do not convey priority rights or other preferential benefits for use of the Financed Facility.

(d) *No Private Loan.* No proceeds of the Bonds will be loaned directly or indirectly to any Non-Qualified User. Special assessments may be used as a source of repayment of the Bonds so long as the assessments meet the criteria set out in Treasury Regulations § 1.141-5(d).

(e) *No Federal Guarantees.* The Participant will not take any action or permit any action to be taken which would cause the Bonds to be “federally guaranteed” within the meaning of Code § 149(b).

(f) *Management Contracts.* With the exception of the Professional Operating Services and Management Agreement dated as of February 20, 2018, between the Participant and Alliance Water Resources, Inc., the Participant has not entered into any “Management Contract” (defined below) with any Non-Qualified User and will not enter into or renew any Management Contract with any Non-Qualified User without first obtaining an Opinion of Bond Counsel, addressed to the Participant and the Owner, that the Management Contract will not adversely affect the exclusion of the interest on the applicable Master Trust Bonds from gross income for federal income tax purposes. The term “Management Contract” is defined in Treasury Regulations § 1.141-3(b) as a management, service, or incentive payment contract with an entity that provides services involving all or a portion of any function of the Financed Facility, such as a contract to manage the Financed Facility or any portion thereof. Contracts for services that are solely incidental to the primary governmental function of the Financed Facility (for example, contracts for janitorial, office equipment repair, billing, or similar services) are not treated as management contracts.

(g) *Leases.* The Participant has not entered into any lease with a Non-Qualified User and will not enter into or renew a lease of all or any portion of the Financed Facility with any Non-Qualified User, without first obtaining an Opinion of Bond Counsel, addressed to the Participant and the Owner, that such lease will not adversely affect the exclusion of the interest on the applicable Master Trust Bonds from gross income for federal income tax purposes. Use of portions of the Financed Facility by members of the general public on a short-term basis in the ordinary course of the Participant’s operation of the Financed Facility is disregarded.

Section 5.6 Sinking Funds. The Participant is required under the Ordinance to make periodic payments in amounts sufficient to pay the principal of and interest on the Bonds. The Participant will deposit these payments with the Paying Agent into the Principal Account and the Interest Account held by the Paying Agent. Except for the Principal Account and the Interest Account and the Debt Service Fund, the Participant has not established, and does not expect to establish, any sinking fund or other

similar fund expected to be used directly or indirectly to pay principal of or interest on the Bonds. The Repayment Fund and the Debt Service Fund are used primarily to achieve a proper matching of revenues with principal and interest payments on the Bonds within each Bond Year and the Participant expects that the Repayment Fund and the Debt Service Fund will qualify as a “bona fide debt service fund,” as that term is defined in the Treasury Regulations.

Section 5.7 No Replacement Funds. None of the Bond proceeds will be used as a substitute for other funds that were intended or earmarked to pay costs of the Financed Facility, and that have been or will be used to acquire higher yielding Investments. Except for the Principal Account and the Interest Account, there are no other funds pledged or committed in a manner that provides a reasonable assurance that such funds would be available for payment of the principal of or interest on the Bonds if the Participant encounters financial difficulty.

Section 5.8 Reimbursement of Expenditures. On May 20, 2014, the Participant’s Governing Body passed an ordinance declaring the intent of the Participant to borrow to finance costs of the Financed Facility for the Participant, and to reimburse the Participant for expenditures made for the Financed Facility prior to the issuance of obligations evidencing the borrowing (the “Reimbursement Action”). A copy of the Reimbursement Action is contained in the Transcript. No portion of the Net Proceeds of the Bonds will be used to reimburse an expenditure paid by the Participant more than 60 days prior to the date the Reimbursement Action was passed.

Section 5.9 Final Written Allocation. The Participant agrees that its file of all Requisitions and supporting invoices provided to DNR pursuant to Article III will constitute the Participant’s Final Written Allocation of the application of proceeds of the Bonds to the Financed Facility. The Participant may, with at least 60 days’ prior written notice to, and the written consent of DNR, deliver a revised Final Written Allocation to DNR if the revised Final Written Allocation is accompanied by an Opinion of Bond Counsel. However, no revised Final Written Allocation will be made more than 18 months following the later of (A) the date of the expenditure or (B) the date the Financed Facility was placed in service, unless an Opinion of Bond Counsel is delivered to DNR.

Section 5.10 Hedge Bonds. The Participant expects that at least 85% of the net sale proceeds of the Bonds will be used to carry out the governmental purpose of the Bonds within three years after the Issue Date.

Section 5.11 Post-Issuance Compliance with Federal Tax Matters. The Participant acknowledges that the investment and expenditure of proceeds of the Bonds are primarily within its control and that substantially all of the net proceeds of the Bonds will be used to finance property that is owned and controlled by the Participant. For these reasons, the Participant agrees to complete the Annual Compliance Checklist and deliver the Annual Compliance Checklist to the Authority Bond Compliance Officer in accordance with the Tax Compliance Procedure. To the extent within its power and control, the Participant will take any action requested in writing by the Authority Bond Compliance Officer that is necessary to cause interest on the Master Trust Bonds to remain excludable from gross income for federal income tax purposes.

Section 5.12 Records.

(a) The Participant recognizes that (i) investors purchase the Master Trust Bonds with the expectation that interest on the Master Trust Bonds is and will remain excludable from gross income for federal income tax purposes, (ii) the tax-exempt status of interest on the Master Trust Bonds depends in part on the accuracy of the Participant’s representations and the satisfaction of the Participant’s agreements contained in this Article, many of which relate to matters that will occur after the Issue Date,

and (iii) as part of its ongoing tax-exempt bond audit program the Internal Revenue Service requires that records be created and maintained with respect to the following matters:

- (1) documentation evidencing the expenditure of the Bonds in sufficient detail to determine the date of the expenditure, the asset acquired or the purpose of the expenditure;
- (2) documentation evidencing the use of the Financed Facility by public and private persons (for example, copies of management contracts or leases); and
- (3) documentation evidencing all sources of payment or security for the Bonds.

(b) The Participant has procedures in place or will establish procedures to create and retain these records. Unless otherwise specifically instructed in a written Opinion of Bond Counsel, the Participant will retain and maintain these records related to the Post-Issuance Tax Requirements until three years following the final maturity of (i) the Bonds or (ii) any obligation issued to refund the Bonds. Any records maintained electronically must comply with Section 4.01 of Revenue Procedure 97-22, which generally provides that an electronic storage system must (1) ensure an accurate and complete transfer of the hardcopy records which indexes, stores, preserves, retrieves and reproduces the electronic records, (2) include reasonable controls to ensure integrity, accuracy and reliability of the electronic storage system and to prevent unauthorized alteration or deterioration of electronic records, (3) exhibit a high degree of legibility and readability both electronically and in hardcopy, (4) provide support for other books and records of the Participant, and (5) not be subject to any agreement that would limit the ability of the IRS to access and use the electronic storage system on the Participant's premises.

ARTICLE VI

ASSIGNMENTS

Section 6.1 Assignment by DNR. The Participant acknowledges that DNR may assign the Bonds and its right, title and interest in this Agreement, in whole or in part, including the right to receive Bond Payments from the Participant, to the Authority or a bond trustee under the SRF Leveraged Program, to secure Master Trust Bonds or otherwise.

Section 6.2 Assignment by the Participant.

(a) The Participant may sell, lease, mortgage or otherwise dispose of the Project or any material part with an original value greater than \$5,000 if it is replaced by other similar property of at least equal value or, if it ceases to be necessary for the efficient operation of the Project or the System, with the prior written consent of DNR. In the event of sale, lease, mortgage or other disposition of the Project to a county, instrumentality of the state, state entity, municipality, public sewer district, public water supply district or combination of the same, the Participant will apply the proceeds to either (i) the redemption of Bonds in accordance with the provisions governing redemption of the Bonds in advance of maturity, or (ii) replacement of the property sold, leased, mortgaged or disposed of by other property the revenues of which are incorporated into the System. In the event of sale, lease or other disposition to any other entity the Participant will apply an amount equal to the original acquisition cost of the property financed with Disbursements and Grant payments, if any, to the redemption of the Bonds (regardless of the amount of the disposition proceeds). If the Bonds are required to be redeemed as provided above, the proceeds of the sale, lease, mortgage or other disposition will be deposited into a separate escrow account to be established by the Participant with the Paying Agent pursuant to the defeasance provisions of the Ordinance. The Participant may cease to operate, abandon or otherwise dispose of any property that has become obsolete, unproductive or otherwise unusable to the advantage of the Participant.

(b) The provisions of paragraph (a) will not prohibit, restrain or restrict any sale, lease or other disposition of any portion of the Project which has not been financed with Disbursements, if DNR and the Paying Agent have received an opinion of Bond Counsel, in form and substance satisfactory to them, that, if the portion of the System has been financed by an obligation of the Participant payable out of the Revenues, the obligation is permitted under the provisions of the Ordinance.

ARTICLE VII

EVENTS OF DEFAULTS AND REMEDIES

Section 7.1 Events of Default. Any of the following events will be an "Event of Default" under this Agreement:

(a) failure by the Participant to pay, or cause to be paid, any Bond Payment required to be paid when due;

(b) failure by the Participant to observe and perform any agreement under this Agreement or the Ordinance, other than as referred to in paragraph (a) of this Section, and the continuation of the failure for a period of 30 days after written notice is given pursuant to Section 7.2. If the failure stated in the notice is correctable but cannot be corrected within the applicable period and corrective action is instituted and diligently pursued by the Participant, DNR may not unreasonably withhold its consent to an extension to the date which is 90 days after the delivery of the original notice;

(c) any representation made by or on behalf of the Participant in this Agreement, the Grant Agreement or the Ordinance, or in any instrument furnished in compliance with or with reference to this Agreement, is determined by DNR to be false or misleading in any material respect;

(d) a petition is filed by or against the Participant under any federal or state bankruptcy or insolvency law or other similar law, unless any petition filed against the Participant is dismissed within 30 days after filing and the dismissal is final and not subject to appeal; and

(e) the Participant generally fails to pay its debts as they become due.

Section 7.2 Notice of Default. The Participant will give DNR and the Paying Agent prompt telephonic notice of the occurrence of any Event of Default referred to in Section 7.1(d) or (e) and of the occurrence of any other event or condition that, with the passage of time or the giving of notice, would constitute an Event of Default. Telephonic notice will be immediately followed by written notice of the Event of Default. Notice of default given to the Participant will specify the event or condition, state that the event or condition constitutes an Event of Default if not remedied, and request that the event or condition be remedied. Except as provided in the first sentence of this Section, notice will be given in the manner provided in Section 8.4.

Section 7.3 Remedies on Default. Whenever an Event of Default has occurred and is continuing, DNR will have the right to take whatever action at law or in equity as provided in Sections 901 and 902 of the Ordinance, subject to the provisions of Section 202 of the Ordinance, and as otherwise provided by law, including, to the extent permitted by law, pursuant to Section 644.125, RSMo.

Section 7.4 Attorneys' Fees and Other Expenses.

(a) Upon (i) an Event of Default or (ii) the occurrence and continuance of any event which, with the giving of notice, lapse of time, or both, would constitute an Event of Default, the Participant, on demand, will pay to the Paying Agent and DNR the reasonable fees and expenses of attorneys and other reasonable costs and expenses (including the reasonably allocated costs of in-house counsel and legal staff) incurred by the Paying Agent and DNR in the collection of Bond Payments or the enforcement of any agreements of the Participant.

(b) Prior to incurring any fees, costs and expenses, the Paying Agent and DNR will provide written notice to the Participant that it intends to incur fees, costs and expenses. Failure by the Paying Agent or DNR to give the notice will not affect the Paying Agent's or DNR's right to receive payment for attorneys' fees and expenses under this Section 7.4. Upon request by the Participant, the Paying Agent and DNR will provide the Participant with copies of statements evidencing the fees, costs and expenses for which the Paying Agent or DNR is requesting payment. The statements may be edited to maintain the attorney-client privilege.

Section 7.5 Application of Moneys. Any moneys collected by the Paying Agent and DNR under Section 7.3 will be applied first, to pay interest on the Bonds then due and payable, second, to pay principal on the Bonds then due and payable, third, to pay the fees, costs and expenses owed by the Participant under Section 7.4, and fourth, to pay any other amounts due and payable under this Agreement.

Section 7.6 No Remedy Exclusive; Waiver; Notice. No remedy conferred upon or reserved to DNR or the Paying Agent is intended to be exclusive and every remedy is cumulative and in addition to every other remedy given under this Agreement or existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default will impair any right, remedy or power or will be construed as a waiver. Any right, remedy or power may be exercised from time to time and as often as may be deemed expedient. The Paying Agent or DNR are not required to give notice to the Participant in advance of the exercise of any right, remedy or power reserved to them in this Article, except as expressly provided in this Article.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Continuing Disclosure.

(a) For purposes of this Section 8.1, the following terms have the following meanings, in addition to capitalized terms defined elsewhere in this Agreement and the Ordinance:

"Beneficial Owner" means any registered owner of Master Trust Bonds and any other person who, directly or indirectly, has the investment power with respect to any Master Trust Bonds.

"Dissemination Agent" means the Master Trustee.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures, which can be accessed at www.emma.msrb.org.

“Material Participant” means the Participant if it has outstanding bonds purchased with proceeds of Master Trust Bonds and/or assigned by DNR to secure Master Trust Bonds in the aggregate principal amount which constitutes 10% or more of the aggregate principal amount of all Master Trust Bonds outstanding as of each December 15 or to be outstanding upon the issuance of a series of Master Trust Bonds, with written notice given by the Authority to the Master Trustee by December 31 or 30 days after the issuance of the Master Trust Bonds, respectively.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

(b) If the Participant is notified by the Authority or the Master Trustee that the Participant is a Material Participant, the Participant will comply with the provisions of this Section 8.1.

(i) The Material Participant will furnish to the Master Trustee:

(A) within 30 days after notification that it is a Material Participant, a copy of its most recent financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by its independent auditors, and the operating data of the Material Participant, through the previous fiscal year, in substantially the scope and form contained in Appendix A to the official statement with respect to a series of Master Trust Bonds; and

(B) within 180 days after the close of the fiscal year of the Material Participant following notification that it is a Material Participant and each subsequent fiscal year, a copy of the financial statements of the Material Participant prepared in accordance with accounting principles generally accepted in the United States of America and audited by its independent auditors (or if not available as of that date, the unaudited financial statements of the Material Participant and, as soon thereafter as available, the audited financial statements of the Material Participant), and the operating data of the Material Participant, updated for the fiscal year then ended, in substantially the scope and form contained in Appendix A to the official statement with respect to a series of Master Trust Bonds.

(ii) Any of the financial information or operating data required by this paragraph (b) may be incorporated by reference from other documents, including official statements of the Material Participant’s debt issues that have been filed with the MSRB, through EMMA, or the Securities and Exchange Commission, and in the case of a final official statement, that is available from the MSRB. The Material Participant will clearly identify in each annual report submitted to the Master Trustee each document incorporated by reference and the source from which it is available.

(c) No later than 10 Business days after the occurrence of any of the following events, the Material Participant will disseminate to the Master Trustee and the Authority notice of the occurrence of any of the following events with respect to the Bonds or the System (“Material Events”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;

- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds or Master Trust Bonds, proceeds of which have been allocated to the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Material Participant;
- (13) the consummation of a merger, consolidation, or acquisition involving the System or the sale of all or substantially all of the assets of the System, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional paying agent or the change of name of the paying agent, if material.

(d) The Material Participant's obligations under paragraphs (b) and (c) will terminate upon the Material Participant's receipt of a notification from the Authority or the Master Trustee that the Material Participant is no longer a Material Participant.

(e) The sole remedies for a failure to comply with the provisions of this Section 8.1 are specific enforcement or action in mandamus in a court of equity by any Beneficial Owner.

(f) Nothing in this Section prevents the Material Participant from disseminating any additional information, or including any other information in any report or notice made under this Section, in addition to that required by this Section. If the Material Participant chooses to include any information in any report or notice made under this Section in addition to that which is specifically required by this Section, the Material Participant will have no obligation to update the additional information or include it in any future report or notice.

Section 8.2 Effect of Breach. Failure on the part of DNR in any instance or under any circumstances to observe or fully perform any obligation assumed by or imposed upon it by this Agreement or by law will not make DNR liable in damages to the Participant or relieve the Participant from making any payment to DNR or fully performing any other agreement under this Agreement. The Participant may have and pursue any other remedies provided by law for compelling performance by DNR of any agreement of DNR.

Section 8.3 Termination of Agreement. This Agreement will terminate upon the payment in full of the Bonds under the Ordinance and the transfer of balances as set forth in Section 4.3.

Section 8.4 Notices. All notices, filings and other communications will be given by first class mail, postage pre-paid, or sent by telegram, telecopy or telex or other similar communication or delivered by a reputable private courier or overnight delivery service, addressed as follows, provided that notice to the Paying Agent shall be effective only upon receipt:

Participant:

City of Ashland, Missouri
109 East Broadway, P.O. Box 135
Ashland, Missouri 65010
Attention: Mayor

DNR:

General

Missouri Department of Natural Resources
Water Protection Program
P.O. Box 176 (Zip Code 65102)
1101 Riverside Drive
Jefferson City, Missouri 65101
Attention: Director, Financial Assistance Center

For Requisitions:

Missouri Department of Natural Resources
Water Protection Program
P.O. Box 176 (Zip Code 65102)
1101 Riverside Drive
Jefferson City, Missouri 65101
Attention: Financial Assistance Center

Paying Agent:

UMB Bank, N.A.
2 South Broadway, Suite 600
St. Louis, Missouri 63102
Attention: Corporate Trust Department

Each party may change its address by giving written notice of the new address to the other parties.

Section 8.5 Exculpatory Provision. In exercising powers under this Agreement, the Paying Agent, the Participant and DNR and their members, directors, officers, employees and agents will not be liable to any other party to this Agreement (i) for any actions taken or omitted by it or its members, officers, directors, employees or agents in good faith and believed by it or them to be authorized or within their discretion or rights or powers conferred upon them, or (ii) for any claims based on this Agreement against any member, director, officer, employee or agent of the Paying Agent, the Participant or DNR in his or her individual capacity.

Section 8.6 Amendment. This Agreement may be amended or supplemented by a written instrument executed by the parties, subject to the requirements of the Federal Act and regulatory authority of EPA that The Water and Wastewater Loan Fund be operated in a manner which preserves The Water and Wastewater Loan Fund in perpetuity for its designated purposes and to provide necessary and ongoing assistance to communities to attain and maintain compliance with the Federal Act.

Section 8.7 Electronic Transactions. The transactions described in this Agreement may be conducted and related documents may be sent, received or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 8.8 Severability of Invalid Provisions. If any agreement provided in this Agreement is contrary to law, that agreement will be severable from the remaining agreements and will not affect the validity of the other provisions of this Agreement.

Section 8.9 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which will be regarded for all purposes as one original and constitute one and the same instrument.

Section 8.10 Applicable Law. This Agreement will be governed exclusively by the laws of the State.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed by their duly authorized officers or signatories and dated as of the day and year first above written.

**MISSOURI DEPARTMENT OF NATURAL
RESOURCES**

By: _____
Authorized Officer

CITY OF ASHLAND, MISSOURI

Mayor

(SEAL)

ATTEST:

City Clerk

Taxpayer Identification No.: 43-0886950

EXHIBIT A

FORM OF REQUISITION

**MISSOURI DEPARTMENT OF NATURAL RESOURCES, WATER PROTECTION PROGRAM, FAC
CLEAN WATER REIMBURSEMENT FORM
SRF DIRECT LOAN AND RURAL SEWER GRANT**

1. TYPE OF REQUEST: <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL		3. PAYMENT REQUEST NUMBER: _____ PAGE 1 OF _____	
2. PROJECT NUMBER: C295710-01, S-511-17		4. PERIOD COVERED BY THIS REPORT: from: _____ to: _____	
5. RECIPIENT ORGANIZATION: CITY OF ASHLAND 109 EAST BROADWAY P.O. BOX 135 ASHLAND, MO 65010		6. LOAN TRUSTEE: UMB BANK, NA IN TRUST FOR THE CITY OF ASHLAND 2 S. BROADWAY, SUITE 600 ST. LOUIS, MO 63102 C295710-01, S-511-17	
7. ELIGIBLE PROJECT COSTS INCURRED (EXCLUDING RETAINAGE) Recipient Project Name and Number Show construction, engineering, administrative costs, etc.	Current Period	Cumulative	Office Use Only
A.			
B.			
C.			
D.			
E.			
F.			
G.			
H.			
I.			
Z. Total from continuation sheet (lines 7.K. - 7.X.)			
AA. Eligible costs incurred to date			
FOR OFFICE USE ONLY	BB. TOTAL APPROVED ELIGIBLE COSTS TO DATE:		BB.
	CC. LESS AMOUNT PREVIOUSLY APPROVED FROM SRF LOAN		CC.
	DD. LESS AMOUNT PREVIOUSLY APPROVED FROM RURAL SEWER GRANT		DD.
	EE. AMOUNT PAYABLE TO RECIPIENT FROM SRF LOAN		EE.
	FF. AMOUNT PAYABLE TO RECIPIENT FROM RURAL SEWER GRANT		FF.
8. CERTIFICATION: By signing this reimbursement form, I certify that to the best of my knowledge and belief: 1) Billed costs or disbursements are in accordance with the terms of the project; 2) Payment due represents the amount due which has not been previously requested; 3) An inspection has been performed; and 4) All work is in accordance with the terms of the funding agreement.	RECIPIENT:	Signature of authorized certifying official:	
		Date signed:	
	DNR REVIEWER: Office Use Only	Signature of review official:	
		Date signed:	
		Typed or printed name and title:	
		Typed or printed name and title:	

MISSOURI DEPARTMENT OF NATURAL RESOURCES, WATER PROTECTION PROGRAM, FAC
 CLEAN WATER REIMBURSEMENT FORM
 SRF DIRECT LOAN AND RURAL SEWER GRANT
CONTINUATION PAGE

PAGE _____ OF _____

1. TYPE OF REQUEST: <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL	3. PAYMENT REQUEST NUMBER: _____ PAGE 1 OF _____		
2. PROJECT NUMBER: C295710-01, S-511-17	4. PERIOD COVERED BY THIS REPORT: from: _____ to: _____		
5. RECIPIENT ORGANIZATION: CITY OF ASHLAND 109 EAST BROADWAY P.O. BOX 135 ASHLAND, MO 65010	6. LOAN TRUSTEE: UMB BANK, NA IN TRUST FOR THE CITY OF ASHLAND 2 S. BROADWAY, SUITE 600 C295710-01, S-511-17 ST. LOUIS, MO 63102		
7. ELIGIBLE PROJECT COSTS INCURRED (EXCLUDING RETAINAGE) Recipient Project Number and Name Show construction, engineering, administrative costs, etc.	Current Period	Cumulative	Office Use Only
K.			
M.			
N.			
O.			
P.			
Q.			
R.			
S.			
T.			
U.			
V.			
W.			
X.			

EXHIBIT B

FEDERAL REQUIREMENTS

The following Federal Requirements are applicable:

Age Discrimination Act, PL 94-135

Civil Rights Act of 1964, PL 88-352

Prohibition against sex discrimination under Section 13 of the Federal Water Pollution Control Act, PL 92-500

Section 504 of the Rehabilitation Act of 1973, PL 93-112 (including Executive Orders 11914 and 11250)

Davis-Bacon Act, subchapter IV of chapter 31 of title 40, United States Code, as required by PL 111-88

EXHIBIT C

INITIAL FORM OF ANNUAL COMPLIANCE CHECKLIST

Name of Participant:	City of Ashland, Missouri
Name of bonds ("Bonds") financing the Financed Assets:	Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2018
Financed Assets: [NOTE: insert Project as defined in Purchase Agreement unless modified during construction]	
Issue Date of Bonds:	
Placed in service date of the Financed Assets:	
Name of Bond Compliance Officer:	
Fiscal Year covered by request ("Annual Period"):	

Item	Question	Response
1 Ownership	Were all of the Financed Assets owned by the Participant during the entire Annual Period?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "No," was an Opinion of Bond Counsel obtained prior to the transfer? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No

2 Leases and Other Rights to Possession	During the Annual Period, were any of the Financed Assets or any part of a Financed Asset leased at any time pursuant to a lease or similar agreement for more than 50 days (e.g., has the Participant entered into an agreement permitting a cell phone tower on a Bond-financed facility)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into the lease or other arrangement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Item	Question	Response
3 Management or Service Agreements	During the Annual Period, has the Participant entered into an agreement with another entity to manage the operation of the Financed Assets? (for example, does a private entity operate the System on behalf of the Participant)	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into a management agreement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4 Other Use	Was any agreement entered into with an individual or entity that grants special legal rights to the Financed Asset (e.g., has the Participant entered into a take or pay contract or similar agreement related to output from the Financed Assets)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into the agreement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Participant Bond Compliance Officer: _____

Date: _____

EXHIBIT D

AUTHORITY'S TAX COMPLIANCE PROCEDURE

GILMORE & BELL, P.C.
DRAFT – MARCH 7, 2018
FOR DISCUSSION PURPOSES ONLY

ESCROW TRUST AGREEMENT

Dated as of March 1, 2018

by and between the

CITY OF ASHLAND, MISSOURI

and

UMB BANK, N.A.,
as paying agent and escrow agent

relating to

NOT TO EXCEED \$6,408,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS
(STATE OF MISSOURI – DIRECT LOAN PROGRAM)
SERIES 2018

OF THE

CITY OF ASHLAND, MISSOURI

ESCROW TRUST AGREEMENT

THIS ESCROW TRUST AGREEMENT (this “Escrow Agreement” or “Agreement”), entered into as of March 1, 2018, between the **CITY OF ASHLAND, MISSOURI**, a fourth-class city and political subdivision of the State of Missouri (the “Participant”), and **UMB BANK, N.A.**, a banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out by virtue of the laws of the United States of America, as paying agent and escrow agent (the “Paying Agent”) (terms not otherwise defined in the Recitals or Section 1 of this Agreement have the meanings set forth in the below-defined Purchase Agreement);

RECITALS

1. Pursuant to 10 CSR 20-4.010, 10 CSR 20-4.040 through 10 CSR 20-4.041 and 10 CSR 20-4.050 of the Code of State Regulations, DNR, in cooperation with the Clean Water Commission of the State of Missouri (the “Commission”), has developed and implemented the State of Missouri Direct Loan Program (the “Direct Loan Program”) and has stated its intent to make loans and grants to political subdivisions of the State of Missouri.

2. The Commission has approved (a) a loan to the Participant to be made by DNR pursuant to the below-defined Purchase Agreement (the “Loan”) and (b) the Grant pursuant to the Grant Agreement (each as defined in the below-defined Purchase Agreement).

3. DNR and the Participant have determined to enter into the Purchase Agreement dated as of March 1, 2018 (the “Purchase Agreement”) for the purposes of providing a portion of the financing for publicly owned wastewater treatment facilities (the “Project” as further described in the Purchase Agreement) and setting forth their covenants and agreements respecting the application of the net proceeds of the Loan to finance the Project and in satisfaction of the obligations of DNR under the Federal Act and EPA guidance to preserve The Water and Wastewater Loan Fund in perpetuity.

4. The Loan will be evidenced by the Bonds of the Participant as further described in the Purchase Agreement.

5. As a condition to the execution and delivery of the Purchase Agreement, DNR has required that the Participant enter into this Agreement with the Paying Agent.

AGREEMENT

Section 1. Definitions. In addition to words and terms defined in the Recitals, elsewhere in this Agreement, in the Purchase Agreement and in the Ordinance, capitalized words and terms have the following meanings in this Agreement:

“Account” means any of the accounts established by Section 4.

“Administrative Expense Fund” means the Fund so designated and established by Section 4. The Administrative Expense Fund does not constitute part of the Direct Loan Program.

“Bonds” means the Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2018 issued by the Participant pursuant to the Ordinance.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banking institutions in the State are either authorized or required to be closed.

“Construction Fund” means the Fund so designated and established by Section 4.

“Debt Service Fund” means the Fund so designated and established by Section 4.

“DNR” means the Missouri Department of Natural Resources, a department of the State of Missouri.

“Fund” means any of the funds established by Section 4.

“Interest Account” means the Interest Account established within the Repayment Fund.

“Paying Agent’s Fee” means (i) an initial one-time fee of \$1,000 payable on the date of issuance of the Bonds, plus (ii) a semiannual fee of 0.015% of the outstanding principal amount of the Bonds as of the Closing Date and the Business Day preceding each Interest Payment Date (but not less than \$525), for the Paying Agent’s fees and ordinary expenses (excluding any extraordinary fees and expenses), for services performed as the Paying Agent under this Escrow Agreement and the Ordinance, as applicable. The amount described in clause (ii) is payable semiannually in arrears on each Interest Payment Date.

“Principal Account” means the Principal Account established within the Repayment Fund.

“Quarterly Payment” means each quarterly payment to be made by the Participant to the Paying Agent under Section 502(a)(2) of the Ordinance.

“Repayment Fund” means the fund so designated and established by Section 4. The Repayment Fund does not constitute part of the Direct Loan Program.

Section 2. DNR Actions. All approvals, notices, consents and other actions of DNR under the Purchase Agreement (other than the execution of the Purchase Agreement and any amendments thereto) will be executed by the Director, Financial Assistance Center, Water Protection Program of DNR or any other person designated from time to time by the Director of DNR by a written instrument filed with the Participant and the Paying Agent.

Section 3. Receipt of Documents. The Paying Agent hereby acknowledges receipt of a certified copy or executed counterpart of each of the Purchase Agreement and the Ordinance. Reference or citation in this Agreement to any provisions of the Purchase Agreement or the Ordinance will incorporate the same as a part of this Agreement in the same manner and with the same effect as if they were fully set forth in this Agreement. On the Closing Date, the Participant will cause the documents described in Section 3.1 of the Purchase Agreement to be delivered to the Paying Agent.

Section 4. Establishment of Funds and Accounts. There are hereby created and established with the Paying Agent the following special and irrevocable separate trust funds and accounts, each of which will be held by the Paying Agent under this Agreement:

- (a) the Debt Service Fund;
 - (b) the Construction Fund;
 - (c) the Repayment Fund, consisting of a Principal Account and an Interest Account;
- and

(d) the Administrative Expense Fund.

Section 5. Deposits of Bond Proceeds.

(a) On the Closing Date proceeds of the initial installment of the Bonds in the amount of \$118,688.00 will be deposited by the Paying Agent as follows: (i) \$0.00 in the Construction Fund, and (ii) \$118,688.00 in the Administrative Expense Fund.

(b) Upon receipt, Purchase Price Installments received from DNR pursuant to Section 3.3 of the Purchase Agreement will be deposited in the Construction Fund.

Section 6. Debt Service Fund.

(a) There will be deposited in the Debt Service Fund moneys to be transferred to the Debt Service Fund from the Construction Fund, the Principal Account and the Interest Account pursuant to Sections 7 and 8 on the dates and in the following order of priority:

(1) First, on each Interest Payment Date, from the Construction Fund the investment earnings on moneys in the Construction Fund;

(2) Second, on any Principal Payment Date, from the Principal Account all moneys in the Principal Account to be applied solely to the payment of the principal component of the Bond Debt Service; and

(3) Third, on each Interest Payment Date, to the extent moneys in the Debt Service Fund are not sufficient to pay the Bond Debt Service, from the Interest Account an amount equal to such deficiency.

(b) Except as provided in (d) below, moneys on deposit in the Debt Service Fund will be applied solely to pay the Bond Debt Service as the same becomes due and payable. On each date fixed for redemption of the Bonds, each Principal Payment Date and each Interest Payment Date, the Paying Agent will remit to the Owner an amount from the Debt Service Fund equal to the Bond Debt Service due and payable on such date.

(c) No later than the 15th day of the month after each Interest Payment Date the Paying Agent will provide a written notice to the Participant of the amount remaining in the Debt Service Fund and the Interest Account which will constitute a credit against the Bond Payments in accordance with Section 502(a)(2)(A) of the Ordinance.

(d) Moneys remaining in the Debt Service Fund at the close of business on the date on which the Bonds are paid in full will be transferred to the Participant.

Section 7. Construction Fund.

(a) The Paying Agent will deposit in the Construction Fund the amount specified in Section 5(a)(i) and (b).

(b) Within two Business Days after the deposit of a Purchase Price Installment in the Construction Fund, the Paying Agent will make the Disbursement from the Construction Fund to the Participant.

(c) Investment earnings on moneys held in the Construction Fund will be deposited into the Construction Fund and then transferred to the Debt Service Fund pursuant to Section 6.

(d) Investment earnings remaining in the Construction Fund on the Completion of Funding will be transferred to the Debt Service Fund.

Section 8. Repayment Fund.

(a) The Paying Agent will deposit (i) in the Principal Account the principal component of each Quarterly Payment and any other moneys received from the Participant for deposit in the Principal Account, and (ii) in the Interest Account the balance of the Quarterly Payment and any other moneys received from the Participant for deposit in the Interest Account.

(b) Moneys in the Repayment Fund will be disbursed at the times, in the amounts and in the priority, as follows:

(1) First: From the Principal Account, on each Principal Payment Date, to the Debt Service Fund the amount calculated in accordance with Section 6(a)(2);

(2) Second: From the Interest Account, on each Interest Payment Date or date on which interest is payable as a result of a redemption of the Bonds, to the Debt Service Fund the amount calculated in accordance with Section 6(a)(3); and

(3) Third: Upon the payment in full of the principal of and interest on the Bonds, all moneys remaining on deposit in the Repayment Fund to the Participant in accordance with Section 4.3 of the Purchase Agreement.

(c) If the first transfer in accordance with clause (b)(1) above would not occur by the first anniversary of the Initiation of Operations, the Paying Agent, on the first day of the calendar month next preceding the first anniversary of the Initiation of Operations, will transfer from the Principal Account to the Debt Service Fund an amount equal to one quarterly installment of principal paid under the Ordinance. In addition, on the first day of the month which is not more than 20 years after the Initiation of Operations, all remaining amounts in the Principal Account will be transferred to the Debt Service Fund.

Section 9. Administrative Expense Fund. There will be deposited in the Administrative Expense Fund the amount set forth in Section 5(a)(ii) and such amounts as are received from the Participant for the payment of the Administrative Fee as provided in Section 502 of the Ordinance. On the Closing Date the Paying Agent will disburse from the Administrative Expense Fund the amounts to the payees as set forth in Schedule 1 to the Participant's Closing Certificate delivered on the Closing Date. The balance of the amount deposited pursuant to Section 5(a)(ii), the Master Trust Bonds Expense, will be transferred to the Master Trustee at the written direction of DNR or as DNR may otherwise direct in writing. The Paying Agent will promptly disburse the Administrative Fee to DNR.

Section 10. Calculation of Interest on the Bonds Prior to Completion of Funding. Prior to the Interest Payment Date following the Completion of Funding, the Paying Agent will make the calculations of the Quarterly Payments in accordance with the Ordinance pursuant to this Section. For purposes of the first Quarterly Payment of each Interest Period, the Paying Agent will calculate an estimate of the amount of interest due on the next Interest Payment Date based upon an expected disbursement schedule for the Interest Period provided by the Participant to DNR and the Paying Agent. If no expected schedule is provided, the Paying Agent will calculate an estimate of the interest due on the Interest Payment Date based upon Purchase Price Installments funded at least three Business Days prior to the first Quarterly

Payment. For purposes of the second Quarterly Payment, the Paying Agent will calculate the interest due on the next Interest Payment Date based upon Purchase Price Installments funded at least three Business Days prior to the second Quarterly Payment Date and the second Quarterly Payment will be calculated so that the amount on deposit in the Interest Account after receipt of the second Quarterly Payment will equal interest payable on the Bonds on the Interest Payment Date.

Section 11. Investments. Moneys in the Construction Fund, the Debt Service Fund and the Repayment Fund will at all times be invested by the Paying Agent in Investment Securities at the written direction of the Participant, provided such Investment Securities will mature at such times and in such amounts as will make cash available for the purposes of such Funds and Accounts as needed. Net investment earnings on the Accounts of each Fund will be credited to such Accounts except that investment earnings on the Principal Account will be deposited in the Interest Account. If an investment is purchased at a premium above par, net earnings on such investment will be deemed to exclude the amount paid which is more than the principal paid upon maturity or sale. If an investment is purchased at a discount, net earnings are deemed to include the amount paid in excess of the discounted purchase price upon maturity or redemption of such investment, at the time such principal amount is received. The term "net earnings" means aggregate earnings less aggregate losses from investments during the applicable period, less any transaction fees incurred in purchasing or selling investments.

Section 12. Assignment of Moneys and Investment Securities. The Participant assigns and pledges to the Paying Agent its right, title and interest in the moneys and Investment Securities hereunder, and all earnings thereon, until used and applied in accordance with this Agreement for the benefit and security of the Owner to secure (i) the payment of the principal of and interest on the Bonds when due, (ii) the payment of all sums due under this Escrow Agreement and the Purchase Agreement in the manner herein and therein described, and (iii) the punctual performance by the Participant of all of its obligations under the terms and provisions of this Escrow Agreement, the Ordinance and the Purchase Agreement. The matured principal of and earnings on the Investment Securities and any cash in the Funds and Accounts are hereby pledged and assigned and will be applied solely for the payment of the principal of, redemption premium, if any, and interest on the Bonds, except as otherwise expressly provided herein.

Section 13. Acceptance of the Trusts. The Paying Agent accepts the duties and obligations imposed upon it by this Agreement, and agrees to perform the trusts but only upon and subject to the following express terms and conditions, and no implied covenants or obligations will be read into this Agreement against the Paying Agent:

(a) The Paying Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. The Paying Agent will exercise such of the rights and powers vested in it by this Agreement and use the same degree of care and skill in their exercise as a prudent corporate trustee under reasonably similar circumstances would exercise or use under the circumstances.

(b) The Paying Agent may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers, employees or such other professionals as may be reasonably necessary but will be answerable for the conduct of the same if not selected in accordance with the standard specified above, and will be entitled to act upon the opinion or advice of its counsel concerning all matters of trust hereof and the duties hereunder, and, subject to the provisions of Sections 6, 7 and 8, may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, employees and such other professionals as may reasonably be employed in connection with the trusts hereof. The Paying Agent may act or refrain from acting upon the advice or an opinion of counsel, who may be an employee of the Paying Agent, and will

not be responsible for any loss or damage resulting from any action or non-action by it taken or omitted to be taken in good faith in reliance upon any such advice or opinion of counsel.

(c) The Paying Agent will not be responsible for any recital herein or in the Ordinance or Purchase Agreement, or for the validity of the execution by the Participant of this Agreement or for any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds, and the Paying Agent will not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Participant in connection with the matters referred to in this Agreement, except as hereinafter set forth, and the Paying Agent will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Agreement.

(d) The Paying Agent may engage in or be interested in any financial or other transaction with the Participant.

(e) The Paying Agent will be protected in acting upon any notice, request, consent, certificate, order, affidavit, opinion of counsel, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Paying Agent will be entitled to rely upon a certificate signed on behalf of the Participant by the Authorized Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Paying Agent has been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, the Paying Agent will also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but will in no case be bound to secure the same. The Paying Agent may accept a certificate of the Authorized Representative to the effect that an ordinance in the form therein set forth has been adopted by the Participant as conclusive evidence that such ordinance has been duly adopted and is in full force and effect.

(g) The permissive right of the Paying Agent to do things enumerated in this Agreement will not be construed as a duty and the Paying Agent will not, except as provided in subsection (a) of this Section, be answerable for other than its negligence or willful misconduct.

(h) The Paying Agent will not be required to take notice or be deemed to have notice of any default hereunder except failure by the Participant to cause to be made any of the payments to the Paying Agent required to be made by or on behalf of the Participant pursuant to this Agreement, the Ordinance or the Purchase Agreement unless the Paying Agent will be specifically notified in writing of such default by the Participant or DNR; and all notices or other instruments required by this Agreement to be delivered to the Paying Agent, must, in order to be effective, be delivered at the principal corporate trust office of the Paying Agent and in the absence of such notice so delivered the Paying Agent may conclusively assume there is no default except as aforesaid.

(i) At any and all reasonable times the Paying Agent, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives will have the right, but will not be required, to inspect all books, papers and records of the Participant pertaining to the Purchase Agreement and this Agreement, and to make copies thereof and take such memoranda therefrom and in regard thereto as may be desired.

(j) The Paying Agent will not be required to give any bond or surety in respect of the execution of the trusts and powers under this Agreement.

(k) Notwithstanding anything elsewhere in this Agreement contained, the Paying Agent will have the right, but will not be required, to demand, in respect to the withdrawal of any cash or any action whatsoever within the scope of this Agreement, any showings, certificates, opinions, appraisals or other information, or action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action, deemed by the Paying Agent desirable for the purpose of establishing the right of the Participant to the withdrawal of any cash or the taking of any other action by the Paying Agent.

(l) Before taking any action under this Agreement other than any action under Sections 6, 7 and 8, the Paying Agent may, in its discretion, require that satisfactory indemnity be furnished to it by the Owner or other parties for the reimbursement of all expenses which it may incur or advance and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

(m) All moneys received by the Paying Agent shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Agreement or law. The Paying Agent will not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

Section 14. Records; Reporting Requirements.

(a) The Paying Agent's records related to activities performed under this Agreement are subject to audit and inspection by the State, the Comptroller General of the United States and the EPA in accordance with (i) the Office of Management and Budget Circulars A-133, A-102 and A-87 (or, the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grants Guidance), if applicable) and (ii) 40 CFR Part 31 (or, 2 CFR Part 200, if the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grants Guidance) is applicable). The Paying Agent will maintain such financial transaction records in accordance with accounting principles generally accepted in the United States of America.

(b) The Paying Agent will provide monthly and annual (as of June 30) financial reports to DNR, with a copy of each monthly financial report to the Participant. Each financial report will cover financial activities during the preceding period. These reports will consist of financial transaction registers. Financial transaction register means a register of all financial transactions during the reporting period for each Fund and Account maintained under this Agreement. Each financial transaction register will identify the Bonds and contain, for each Fund and Account, a date, description and amount for all financial transactions and starting and ending balances.

Section 15. Obligations of Paying Agent Limited. In order to make the payments required by this Agreement, the Paying Agent is hereby authorized to redeem or otherwise dispose of Investment Securities in order to provide sufficient amounts to make such payments. The liability of the Paying Agent to make the payments required by this Agreement will be limited solely to the money and Investment Securities in the Funds and Accounts hereunder. The Paying Agent will not be liable for any loss resulting from any investment, sale, transfer or other disposition made pursuant to this Agreement in compliance with the provisions hereof. The Paying Agent will not be liable for the accuracy of the calculations as to the

sufficiency of the Quarterly Payments to make the Bond Debt Service. So long as the Paying Agent applies the amounts in the Funds and Accounts as provided herein, the Paying Agent will not be liable for any deficiencies in the amounts necessary to pay the Bonds caused by such calculations. Notwithstanding the foregoing, the Paying Agent will not be relieved of liability arising from and proximate to its failure to comply fully with the terms of this Agreement.

Section 16. Fees, Charges and Expenses of the Paying Agent.

(a) The Participant will pay to the Paying Agent reasonable compensation for all services performed by the Paying Agent under this Escrow Agreement, and also the reasonable expenses, charges and other disbursements of the Paying Agent, and those of its attorneys, agents, employees and other professionals as may be reasonably incurred in and about the administration and execution of the trusts hereby created and performance of its powers and duties hereunder; provided that the total amount of the fees and charges for the ordinary services of the Paying Agent under this Agreement will not exceed the Paying Agent's Fees. Notwithstanding the preceding provisions of this Section, the Paying Agent will be entitled to reimbursement from the Participant of its reasonable out-of-pocket, legal or extraordinary fees, charges and expenses incurred in carrying out the duties, terms or provisions of this Agreement, including but not limited to costs incurred for giving notice of the redemption of the Bonds. Claims for such reimbursement may be made to the Participant.

(b) Neither the Paying Agent nor any of its directors, officers or employees shall be liable to anyone for any action taken, or omitted to be taken, by it or any of its directors, officers or employees hereunder except in the case of negligence or willful misconduct. The Participant hereby covenants and agrees to indemnify the Paying Agent and hold it harmless without limitation from and against any loss, liability or expense of any nature incurred by the Paying Agent arising out of or in connection with this Escrow Agreement or with the administration of its duties hereunder, including, but not limited to, legal fees and expenses and other costs and expenses of defending or preparing to defend against any claim of liability in the premises, unless such loss, liability or expense shall be caused by the Paying Agent's negligence or willful misconduct.

Section 17. Resignation or Removal of Paying Agent; Successor Paying Agent.

(a) The Paying Agent at the time acting hereunder may at any time resign and be discharged from its duties and responsibilities hereby created by giving written notice by registered or certified mail to the Participant and the Owner not less than 60 days prior to the date when the resignation is to take effect. Such resignation will take effect immediately upon the acceptance by the Participant and the Owner of the resignation, the appointment of a successor Paying Agent (which may be a temporary Paying Agent) by the Participant, with the prior written consent of the Owner, the acceptance of such successor Paying Agent of the terms, covenants and conditions of this Agreement, the transfer of the Funds and Accounts hereunder, including the money and Investment Securities held therein, to such successor Paying Agent and the completion of any other actions required for the principal of and interest on the Investment Securities to be made payable to such successor Paying Agent rather than the resigning Paying Agent.

(b) The Paying Agent may be removed at any time by an instrument or concurrent instruments in writing, signed by the Owner and delivered to the Paying Agent and the Participant. The Paying Agent may also be removed by the Participant, with the prior written consent of the Owner, by an instrument or concurrent instruments in writing, signed by the Participant and delivered to the Paying Agent, if the Paying Agent fails to make timely payment on any Interest Payment Date or Principal Payment Date to DNR of the amounts required by Section 6 to be paid by it on such Interest Payment Date or Principal Payment Date or fails to perform its other duties or obligation hereunder. Any removal pursuant to this paragraph will become effective upon the appointment of a successor Paying Agent (which may be a temporary successor

Paying Agent) by the Participant, with the prior written consent by the Owner, the acceptance of such successor Paying Agent of the terms, covenants and conditions of this Agreement, the transfer of the Funds and Accounts hereunder, including the money and Investment Securities held therein, to such successor Paying Agent and the completion of any other actions required for the principal of and interest on the Investment Securities to be made payable to such successor Paying Agent rather than the Paying Agent being removed.

(c) If the Paying Agent resigns or is removed, or is dissolved, or is in the course of dissolution or liquidation, or otherwise becomes incapable of acting hereunder, or if the Paying Agent is taken under the control of any public officer or officers, or of a receiver appointed by a court, the Participant, with the prior written consent of the Owner, will appoint a temporary Paying Agent to fill such vacancy until a successor Paying Agent is appointed by the Participant, with the prior written consent of the Owner, in the manner above provided, and any such temporary Paying Agent so appointed by the Participant, with the prior written consent of the Owner, will immediately and without further act be superseded by the successor Paying Agent so appointed.

(d) If no appointment of a successor Paying Agent or a temporary successor Paying Agent has been made by DNR or the Participant, with the prior written consent of the Owner, pursuant to the foregoing provisions of this Section within 60 days after written notice of resignation of the Paying Agent has been given to the Participant and the Owner, the Owner or any retiring Paying Agent may apply to any court of competent jurisdiction for the appointment of a successor Paying Agent, and such court may thereupon, after such notice, if any, as it deems proper, appoint a successor Paying Agent.

(e) No successor Paying Agent will be appointed unless such successor Paying Agent (i) is a corporation with trust powers authorized to do business in the State and organized under the banking or corporate laws of the United States or the State, (ii) either (A) has at the time of appointment capital and surplus of not less than \$10,000,000, or (B) is owned by a company that has at the time of appointment capital and surplus of not less than \$10,000,000, and (iii) has assets under corporate trust management of not less than \$500,000,000.

(f) Every successor Paying Agent appointed under this Agreement will execute, acknowledge and deliver to its predecessor and to the Participant and the Owner an instrument in writing accepting such appointment hereunder, and thereupon such successor Paying Agent without any further act, deed or conveyance will become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, but such predecessor shall, nevertheless, on the written request of such successor Paying Agent, the Participant or the Owner, execute and deliver an instrument transferring to such successor Paying Agent all the estates, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor Paying Agent will deliver all securities and money held by it to its successor. Should any transfer, assignment or instrument in writing from the Participant be required by any predecessor or successor Paying Agent for more fully and certainly vesting in such successor Paying Agent the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor Paying Agent, any such transfer, assignment and instruments in writing shall, on request, be executed, acknowledged and delivered by the Participant.

(g) Any corporation into which the Paying Agent may be merged or consolidated, to which the Paying Agent sells all or substantially all of its corporate trust business, or that results from any merger, conversion, consolidation or reorganization involving the Paying Agent, will be the successor Paying Agent under this Agreement without the execution or filing of any paper or any other act on the part of the parties hereto.

Section 18. Amendment. This Agreement is made for the benefit of the Participant and the Owner, and it will not be repealed, revoked, altered or amended without the written consent of the parties hereto and the Owner.

Section 19. Notices. All notices, filings and other communications will be given by first-class mail, postage pre-paid, or delivered by a reputable private courier or overnight delivery service, addressed as follows, provided, however, that notice to the Paying Agent shall be effective only upon receipt:

DNR:

Missouri Department of Natural Resources
Water Protection Program
P.O. Box 176 (Zip Code 65102)
1101 Riverside Drive
Jefferson City, Missouri 65101
Attention: Director, Financial Assistance Center

Paying Agent:

UMB Bank, N.A.
2 South Broadway, Suite 600
St. Louis, Missouri 63102
Attention: Corporate Trust Department

Participant:

City of Ashland, Missouri
109 East Broadway, P.O. Box 135
Ashland, Missouri 65010
Attention: Mayor

Each party may change its address by giving written notice of the new address to the other parties.

Section 20. Payments Due on Other Than Business Day. In any case where any Interest Payment Date, Principal Payment Date or other date for the payment of interest on or principal of the Bonds or any other payment is due hereunder will not be a Business Day, then such payment need not be made on such date but may be made (without additional interest) on the next succeeding Business Day with the same force and effect as if made on the scheduled date.

Section 21. Electronic Transactions. The transactions described in this Escrow Agreement may be conducted and related documents may be sent, received or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 22. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Paying Agent or the Participant to be performed should be contrary to law, then such covenant or covenants or agreement or agreements will be deemed severable from the remaining covenants and agreements and will in no way affect the validity of the other provisions of this Agreement.

Section 23. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which will be executed by the Paying Agent and the Participant and all of which will be regarded for all purposes as one original and will constitute and be but one and the same instrument.

Section 24. Survival. This Agreement, including all representations, warranties, covenants and obligations, will remain in effect until the Paying Agent and the Participant have fully performed all of its obligations hereunder.

Section 25. Applicable Law. This Agreement will be governed exclusively by the applicable laws of the State.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed by their duly authorized officers or signatories and dated as of the day and year first above written.

UMB BANK, N.A., as Paying Agent

By _____
Title: Vice President

CITY OF ASHLAND, MISSOURI

Mayor

(SEAL)

ATTEST:

City Clerk