

CITY OF PELLA

TENTATIVE CITY COUNCIL MEETING AGENDA

May 12, 2020 – 6:00 p.m.

Public Safety Complex at 614 Main Street, use the Liberty Street entrance

Due to the COVID-19 pandemic, this meeting will be available electronically:

1. To access screensharing and audio, visit <https://join.me/CityofPella>
2. To listen to audio only, call 720.650.5050 and enter access code 962-389-622 #

Those attending via either method above will have the ability to provide verbal comments during the dedicated public forms and public hearings. To minimize disruption, we ask that you keep your microphones or telephones on mute until the time which you intend to speak.

A. CALL TO ORDER BY MAYOR AND ROLL CALL

B. MAYOR'S COMMENTS

1. Announce Policy and Planning meeting following the regular Council meeting to discuss:
 - a. Development Update
2. Approval of Tentative Agenda
3. Announce exempt session pursuant to Iowa Code Chapter 21.9 to discuss employment conditions of employees not covered by collective bargaining agreements

***PUBLIC FORUM (for anyone wishing to address Council regarding agenda items)**

Public comments are limited to three minutes

C. RESOLUTIONS

1. \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020A
 - a. Motion for Approval of Tax Exemption Certificate
 - b. Resolution No. 6126 entitled, "A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020A, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES"
2. \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020G
 - a. Motion for Approval of Tax Exemption Certificate
 - b. Resolution No. 6127 entitled, "A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020G, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES"
3. \$1,800,000 Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B
 - a. Resolution No. 6128 entitled, "A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$1,800,000 TAXABLE COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020B, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES"
4. Resolution No. 6129 entitled, "RESOLUTION APPROVING CONSTRUCTION CONTRACT AND BOND"

D. OTHER BUSINESS / *PUBLIC FORUM (any additional comments from the public)

Public comments are limited to three minutes

E. EXEMPT SESSION

1. Exempt session pursuant to Iowa Code Chapter 21.9 to discuss employment conditions of employees not covered by collective bargaining agreements

F. ADJOURNMENT

NOTICE: Items to be presented to the City Council must be delivered to the City Clerk no later than 4:00 p.m. the Monday before the week of the Council meeting. A packet containing the agenda and documentation for each item listed on the agenda is then prepared and delivered to each Council member. The next regular Council meeting is scheduled for May 19, 2020. The deadline for items is May 11, 2020. The City of Pella encourages all citizens of Pella to attend Council meetings. Our Council chambers are handicapped accessible and City staff members are available to give assistance if needed. If you are hearing impaired, vision impaired, or have limited English proficiency requiring an interpreter or reader, please contact City Hall at 641-628-4173 by noon the Monday prior to Council meetings to arrange for assistance. **TTY telephone service available for the hearing impaired through Relay Iowa 1-800-735-2942.**



THE
CITY of PELLA
STAFF MEMO TO COUNCIL

ITEM NO: B-1-a
SUBJECT: Development Update
DATE: May 12, 2020

BACKGROUND:
During this Policy and Planning session, the City Administrator will provide a development update.

ATTACHMENTS: None
REPORT PREPARED BY: City Administration
REPORT REVIEWED BY: City Administrator, City Clerk
RECOMMENDED ACTION: Seeking Council direction



THE
CITY of PELLA

STAFF MEMO TO COUNCIL

ITEM NO: C-1-a & C-1-b

SUBJECT: Resolution Approving and Authorizing a form of Loan Agreement and Authorizing and Providing for the Issuance and Securing the Payment of \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020A and Providing a method of Payment of the Notes

DATE: May 12, 2020

BACKGROUND:

The proposed resolution approves and authorizes a loan agreement for \$4,326,000 of Communication Utility Revenue Loan Notes for the City's municipal telecommunications utility, known as Pella Fiber. These notes will be utilized to cover one half of the capital costs associated with the utility, while Capital Loan Notes 2020G will be used pay for the other half of the improvements.

Uses of Funds

Over the past several years, the City made material efforts to plan for the implementation of the new utility. As part of the process, the City has worked with engineers, legal counsel, and financial advisors to develop a plan for implementation. In doing so, the following capital costs were identified:

	Total	Series A	Series G
Construction & Equipment	\$ 7,868,185.00	3,934,093	3,934,093
Capitalized Interest	278,558	139,279	139,279
Issuance Costs/Rounding	205,257	102,629	102,629
Contingency	300,000	150,000	150,000
Non Project Total	\$ 783,815	391,908	391,908
Total Costs	\$ 8,652,000	4,326,000	4,326,000

Key Terms

The City's financial advisor has worked diligently with local and regional lenders who had interest in supporting such an important community project. Bank Iowa has stepped forward in support of Series A, while Cedar Rapids Bank and Trust will be supporting Series G. In doing so, the City was able to realize competitive interest rates and financing terms, particularly given the current economic conditions and the infancy of the utility. The following are some of the key terms included in the agreement:

Total amount:	Up to \$4,326,000
Interest rate:	3.375% fixed for 7 years; resetting on June 1, 2027
Closing date:	May 28, 2020
Maturity date:	June 1, 2035

In addition to the key terms listed above, it's also important to note that the loan will operate on a draw-down method, which means as expenses are incurred, they will be submitted to the lender for reimbursement. In the event less than the full amount is advanced to the City, the annual principal payments will be adjusted through the end of life of issuance. Additionally, the loan is callable at any time without penalty.

As noted above, the interest rate on the proposed issuance is 3.375% and resets after seven years. In June of 2027, the interest rate will reset to the average of the five-year daily treasury yield curve rate plus 2.55%. The agreement also limits the minimum interest rate to 3.375% and maximum rate to 7%. The loan includes capitalized interest through December 1, 2021 with the first principal payment occurring on June 1, 2024.

The agreement also requires certain security pledges which are customary for municipal utility borrowing. For both Series 2020A and Series 2020G, the security pledge includes net revenue requirements for the utility. Specifically, the pledge requires a rate maintenance coverage of 110% by June 30, 2023. This means the utility must set rates that generate \$1.10 of net revenue for every \$1.00 of debt service. Additionally, for the City to issue any future debt, the utility must be able to meet the coverage requirement of both the current and the proposed debt issuance.

Annual Payments

As noted above, in order to minimize the immediate financial impact of the annual debt service payments on the operations of the utility, the loan agreement capitalizes the interest through December 1, 2021. Additionally, the repayment schedule does not include an initial principal payment until June 1, 2024, at which time the annual principal payments will increase gradually through June 1, 2026, stabilizing thereafter. Once full principal and interest payments begin, assuming the utility draws the full loan amount, the annual debt service payments are anticipated to amount to approximately \$980,000 per year.

There are two items listed on the agenda for consideration related to this item:

1. Agenda item C-1-a: Approve form of Tax Exemption Certificate
The Tax Exemption Certificate sets out in detail a number of facts, promises, and obligations which must be met and agreed to by the City in order to maintain these Notes as tax exempt. These requirements primarily include arbitrage requirements for the bond proceeds and restrictions for private duty use. It is important to note, staff has reviewed these requirements with bond counsel, and we are recommending approval.
2. Agenda item C-1-b: Resolution No. 6126
This resolution approves and authorizes the loan agreement as outlined within this memo.

Summary

In summary, the City Council has worked diligently over the past several years to prepare the City for the development of a telecommunications utility. Approving this resolution would provide the needed funds to support capital costs necessary to support the utility.

ATTACHMENTS: Resolution, Tax Exemption Certificate
REPORT PREPARED BY: Finance Director
REPORT REVIEWED BY: City Administrator, City Clerk
RECOMMENDATION: Approve resolution

Council Member _____ moved that the form of Tax Exemption Certificate be placed on file and approved. Council Member _____ seconded the motion and the roll being called thereon, the vote was as follows:

AYES: _____

NAYS: _____

Council Member _____ introduced the following Resolution entitled "A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020A, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES ", and moved its adoption. Council Member _____ seconded the motion to adopt. The roll was called and the vote was:

AYES: _____

NAYS: _____

Whereupon the Mayor declared the following Resolution duly adopted:

Resolution No. 6126

A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020A, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES

WHEREAS, the City Council of the City of Pella, State of Iowa, sometimes hereinafter referred to as the "Issuer", has heretofore established charges, rates and rentals for services which are and will continue to be collected as system revenues of the Municipal Communications Utility, sometimes hereinafter referred to as the "System", and the revenues have not been pledged and are available for the payment of Communications Utility Revenue Capital Loan Notes, Series 2020A, subject to the following premises; and

WHEREAS, Issuer proposes to issue its Communications Utility Revenue Capital Loan Notes, Series 2020A, to the extent of \$4,326,000, for the purpose of defraying the costs of the project as set forth in Section 3 of this Resolution; and, it is deemed necessary and advisable and in the best interests of the City that a form of Loan Agreement be approved and authorized; and

WHEREAS, the notice of intention of Issuer to take action for the issuance of \$4,326,000 Communications Utility Revenue Notes, Series 2020A, has heretofore been duly published and no objections to such proposed action have been filed:

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PELLA, IN THE COUNTY OF MARION, STATE OF IOWA:

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

- "Additional Obligations" shall mean any Communications Utility revenue notes or bonds issued on a parity with the Notes in accordance with the provisions of this Resolution.
- "Capitalized Interest Fund" shall mean the fund required to be established by this Resolution for the deposit of the portion of the proceeds of the Notes to be used for capitalized interest.
- "Clerk" shall mean the City Clerk, or such other officer of the successor Governing Body as shall be charged with substantially the same duties and responsibilities.
- "Fiscal Year" shall mean the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve-month period adopted by the Governing Body or by law as the official accounting period of the System. Requirements of a Fiscal Year as expressed in this Resolution shall exclude any payment of principal or interest falling due on the first day of the Fiscal Year and include any payment of principal or interest falling due on the first day of the succeeding Fiscal Year, except to the extent of any conflict with the terms of the Outstanding Bonds while the same remain outstanding.
- "Governing Body" shall mean the City Council of the City, or its successor in function with respect to the operation and control of the System.

- "Independent Auditor" shall mean an independent firm of Certified Public Accountants or the Auditor of State.
- "Issuer" and "City" shall mean the City of Pella, State of Iowa.
- "Lender" shall mean the Original Purchaser.
- "Loan Agreement" shall mean a Loan Agreement between the Issuer and a lender or lenders in substantially the form attached to and approved by this Resolution.
- "Net Revenues" shall mean gross earnings of the System after deduction of current expenses; "Current Expenses" shall mean and include the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including purchases at wholesale, if any, salaries, wages, and costs of materials and supplies but excluding depreciation and principal of and interest on the Notes and any Parity Obligations or payments to the various funds established herein; capital costs, depreciation and interest or principal payments are not System expenses.
- "Notes" shall mean \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020A, authorized to be issued by this Resolution.
- "Original Purchaser" shall mean the purchaser of the Notes from Issuer at the time of their original issuance.
- "Outstanding Obligations" shall mean the Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B, dated May 28, 2020, and the Communications Utility Revenue Capital Loan Notes, Series 2020G, dated May 28, 2020, each issued contemporaneously with the Notes in accordance with Resolutions adopted May 12, 2020, not to exceed \$1,800,000 and not to exceed \$ 4,326,000, respectively, of which obligations are outstanding and unpaid and remain a lien on the Net Revenues of the System. For the avoidance of doubt, the principal amount of the Series 2020B Notes and the Series 2020G Notes will be advanced on a draw down basis and the total principal amount advanced under the Series 2020B Notes and the Series 2020G Notes shall be outstanding obligations on parity with the total principal amount advanced under the Notes.
- "Parity Obligations" shall mean Communications Utility revenue notes, bonds or other obligations payable solely from the Net Revenues of the System on an equal basis with the Notes herein authorized to be issued, and shall include Additional Obligations as authorized to be issued under the terms of this Resolution and the Outstanding Obligations.
- "Paying Agent" shall mean the Director of Finance of Pella, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein as Issuer's agent to provide for the payment of principal of and interest on the Notes as the same shall become due.

- "Project Fund" shall mean the fund required to be established by this Resolution for the deposit of the proceeds of the Notes.
- "Registrar" shall mean the Director of Finance of Pella, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein with respect to maintaining a register of the owners of the Notes. Unless otherwise specified, the Registrar shall also act as Transfer Agent for the Notes.
- "Resolution" shall mean this resolution authorizing the issuance of the Notes.
- "System" shall mean the Municipal Communications Utility of the Issuer and all properties of every nature hereinafter owned by the Issuer comprising part of or used as a part of the System, including all improvements and extensions made by Issuer while any of the Notes or Parity Obligations remain outstanding; all real and personal property; and all appurtenances, contracts, leases, franchises and other intangibles.
- "Tax Exemption Certificate" shall mean the Tax Exemption Certificate executed by the Treasurer and delivered at the time of issuance and delivery of the Notes.
- "Treasurer" shall mean the Director of Finance or such other officer as shall succeed to the same duties and responsibilities with respect to the recording and payment of the Notes issued hereunder.
- "Yield Restricted" shall mean required to be invested at a yield that is not materially higher than the yield on the Notes under section 148 (a) of the Internal Revenue Code or regulations issued thereunder.

Section 2. Authority. The Loan Agreement and the Notes authorized by this Resolution shall be issued pursuant to Sections 384.24A and 384.83, of the City Code of Iowa, and in compliance with all applicable provisions of the Constitution and laws of the State of Iowa. The Loan Agreement shall be substantially in the form attached to this Resolution and is authorized to be executed and issued on behalf of the Issuer by the Mayor and attested by the City Clerk.

The Mayor and the Clerk are authorized and directed to execute and deliver all other documents which may be required under the terms of the Loan Agreement, or by bond counsel, and to take any other action as may be required or deemed appropriate for the performance of the duties imposed thereby to carry out the purposes thereof.

Section 3. Authorization and Purpose. There are hereby authorized to be issued, negotiable, serial, fully registered Communications Utility Revenue Capital Loan Notes of the City of Pella, in the County of Marion, State of Iowa, in the aggregate amount of \$4,326,000, for the purpose of paying costs of improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital setup boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building,

and other miscellaneous improvements, extensions and equipment purchases to benefit the utility.

Section 4. Source of Payment. The Notes herein authorized and Parity Obligations and the interest thereon shall be payable solely and only out of the net earnings of the System and shall be a first lien on the future Net Revenues of the System. The Notes shall not be general obligations of the Issuer nor shall they be payable in any manner by taxation and the Issuer shall be in no manner liable by reason of the failure of the net revenues to be sufficient for the payment of the Notes.

Section 5. Note Details. Communications Utility Revenue Capital Loan Notes, Series 2020A, of the City in the amount of \$4,326,000, shall be issued to evidence the obligations of the Issuer under the Loan Agreement pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa for the aforesaid purpose. The Notes shall be designated "\$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020A", be dated May 28, 2020, and bear interest from the date of each advance thereunder, until payment thereof, at the office of the Paying Agent, such interest payable on December 1, 2020, and semiannually thereafter on the 1st day of June and December in each year until maturity at the rates hereinafter provided. The Notes shall be initially issued as a single note payable to the Lender.

The Notes shall be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the Clerk, and impressed or printed with the seal of the City and shall be fully registered as to both principal and interest as provided in this Resolution; principal, interest and premium, if any, shall be payable at the office of the Paying Agent by mailing of a check to the registered owner of the Note. The Notes shall be in the denomination of \$100,000 or integral multiples of \$1,000 in excess thereof.

The Lender will make advances under the Notes upon the request of the Issuer to pay or reimburse the Issuer for payment of Project costs, costs of issuance and capitalized interest. Interest through December 1, 2021, may be capitalized through advances under the Note. There shall be an initial advance at the time of closing, on the Note Date of the Notes, in an amount no less than \$50,001 or the costs of issuance, whichever is greater. The Issuer may request advances monthly or as otherwise allowed by Lender.

Advances of principal in an amount not exceeding \$4,326,000 may be made under the Notes from time to time in accordance with this Resolution beginning on the Note Date and continuing through May 15, 2023 (the "Draw Period"). The amount and date of each advance shall be noted by the Lender on a schedule attached to the Notes or in the internal records of Lender.

The Notes shall mature and bear interest as follows:

Term Note #1

Principal Amount*	Interest Rate	Maturity June 1st
\$50,000	3.375%	2024
\$175,000	3.375%	2025
\$352,000	3.375%	2026
\$363,000	3.375%	2027
\$376,000	**	2028
\$388,000	**	2029
\$401,000	**	2030
\$415,000	**	2031
\$429,000	**	2032
\$444,000	**	2033
\$458,000	**	2034
\$475,000	**	2035***

* If less than \$4,326,000 is advanced under the Notes, the annual principal payments shall be prorated at the end of the Draw Period (May 15, 2023) to reflect the total amount advanced under the Notes. For example, if \$4,200,000 is advanced under the Notes, the June 1, 2024 maturity shall be \$48,543.69, which equals \$50,000 x (\$4,200,000/\$4,326,000).

** The interest rate will be 3.375% through June 1, 2027, at which time the rate will adjust to the CMT Rate (as defined herein) plus 2.55%, subject to a ceiling of 7.00% and a floor of 3.375%, as set forth herein (the “Adjusted Interest Rate”).

*** Final maturity.

On the final Maturity Date, all remaining outstanding principal of the Notes plus accrued interest thereon shall be immediately due and payable.

Interest Rate: The outstanding principal of the Notes shall bear interest at the initial rate (the “Initial Interest Rate”) of 3.375% per annum from the Note Date of the Notes until June 1, 2027. The Interest Rate on the Notes will be adjusted on June 1, 2027, (the “Interest Adjustment Date”), to a rate (the “Adjusted Interest Rate”) per annum determined by the Lender to be equal to the Average CMT Rate plus 2.55%; provided, however, that the Adjusted Interest Rate shall be subject to a ceiling of 7.00% and a floor of the Initial Interest Rate. The “Average CMT Rate” means the average of the 5-year Daily Treasury Yield Curve Rate (commonly referred to as “Constant Maturity Treasury” rates, or CMT rates) and the 7-year Daily Treasury Yield Curve Rate, each as reported at www.treasury.gov on the Interest Adjustment Date, or on the last business date preceding the Interest Adjustment Date if the Interest Adjustment Date is not a business date. In the Event that the Average CMT Rate cannot be ascertained by the Lender due to changes in reports, publications, market conditions or regulatory requirements, then the Lender shall select a substitute rate or index that is reasonably equivalent to the Average CMT Rate and published in the Wall Street Journal.

Section 6. Redemption. The Notes may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Section 7. Registration of Notes; Appointment of Registrar; Transfer; Ownership; Delivery; and Cancellation.

(a) Registration. The ownership of Notes may be transferred only by the making of an entry upon the books kept for the registration and transfer of ownership of the Notes, and in no other way. The Director of Finance is hereby appointed as Note Registrar under the terms of this Resolution. Registrar shall maintain the books of the Issuer for the registration of ownership of the Notes for the payment of principal of and interest on the Notes as provided in this Resolution. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code subject to the provisions for registration and transfer contained in the Notes and in this Resolution.

(b) Transfer. The ownership of any Note may be transferred only upon the Registration Books kept for the registration and transfer of Notes and only upon surrender thereof at the office of the Registrar together with an assignment duly executed by the holder or his duly authorized attorney in fact in such form as shall be satisfactory to the Registrar, along with the address and social security number or federal employer identification number of such transferee (or, if registration is to be made in the name of multiple individuals, of all such transferees). In the event that the address of the registered owner of a Note (other than a registered owner which is the nominee of the broker or dealer in question) is that of a broker or dealer, there must be disclosed on the Registration Books the information pertaining to the registered owner required above. Upon the transfer of any such Note, a new fully registered Note, of any denomination or denominations permitted by this Resolution in aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Note, and bearing interest at the same rate and maturing on the same date or dates shall be delivered by the Registrar.

(c) Registration of Transferred Notes. In all cases of the transfer of the Notes, the Registrar shall register, at the earliest practicable time, on the Registration Books, the Notes, in accordance with the provisions of this Resolution.

(d) Ownership. As to any Note, the person in whose name the ownership of the same shall be registered on the Registration Books of the Registrar shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of

the principal of any such Notes and the premium, if any, and interest thereon shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note, including the interest thereon, to the extent of the sum or sums so paid.

(e) Cancellation. All Notes which have been redeemed shall not be reissued but shall be cancelled by the Registrar. All Notes which are cancelled by the Registrar shall be destroyed and a Certificate of the destruction thereof shall be furnished promptly to the Issuer; provided that if the Issuer shall so direct, the Registrar shall forward the cancelled Notes to the Issuer.

(f) Non-Presentation of Notes. In the event any payment check, wire, or electronic transfer of funds representing payment of principal of or interest on the Notes is returned to the Paying Agent or if any note is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such principal of or interest on Notes shall have been made available to the Paying Agent for the benefit of the owner thereof, all liability of the Issuer to the owner thereof for such interest or payment of such Notes shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the owner of such Notes who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Resolution or on, or with respect to, such interest or Notes. The Paying Agent's obligation to hold such funds shall continue for a period equal to two years and six months following the date on which such interest or principal became due, whether at maturity, or at the date fixed for redemption thereof, or otherwise, at which time the Paying Agent shall surrender any remaining funds so held to the Issuer, whereupon any claim under this Resolution by the Owners of such interest or Notes of whatever nature shall be made upon the Issuer.

(g) Registration and Transfer Fees. The Registrar may furnish to each owner, at the Issuer's expense, one note for each annual maturity. The Registrar shall furnish additional Notes in lesser denominations (but not less than the minimum denomination) to an owner who so requests.

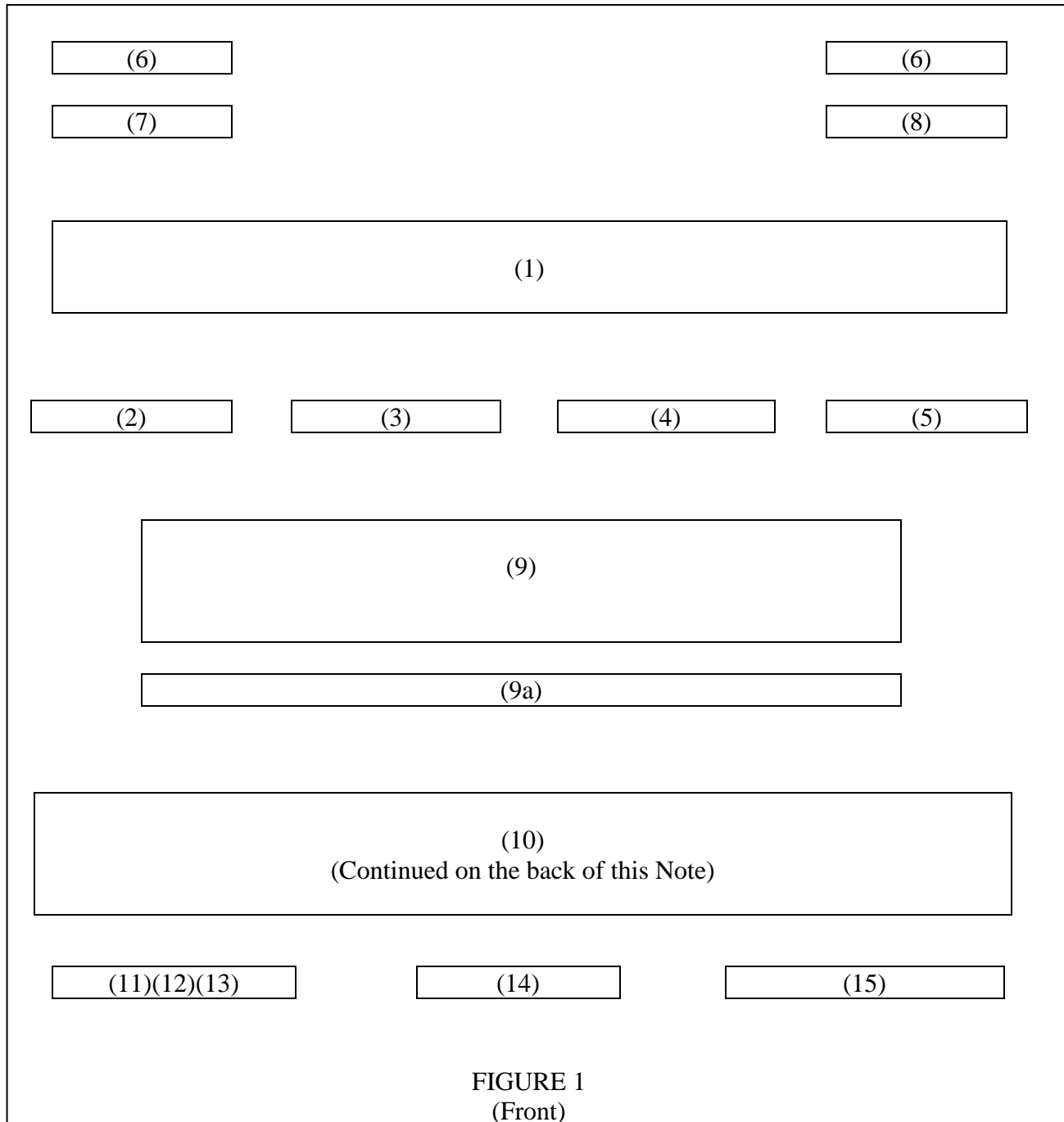
Section 8. Reissuance of Mutilated, Destroyed, Stolen or Lost Notes. In case any outstanding Note shall become mutilated or be destroyed, stolen or lost, the Issuer shall at the request of Registrar authenticate and deliver a new Note of like tenor and amount as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note to Registrar, upon surrender of such mutilated Note, or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar and Issuer that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and Issuer with satisfactory indemnity and complying with such other reasonable regulations as the Issuer or its agent may prescribe and paying such expenses as the Issuer may incur in connection therewith.

Section 9. Record Date. Payments of principal and interest, otherwise than upon full redemption, made in respect of any Notes, shall be made to the registered holder thereof or to their designated Agent as the same appear on the books of the Registrar on the 15th day of the month preceding the payment date. All such payments shall fully discharge the obligations of the Issuer in respect of such Notes to the extent of the payments so made. Payment of principal shall only be made upon surrender of the Notes to the Paying Agent.

Section 10. Execution, Authentication and Delivery of the Notes. Upon the adoption of this Resolution, the Mayor and Clerk shall execute and deliver the Notes to the Registrar, who shall authenticate the Notes and deliver the same to or upon order of the Original Purchaser. No Note shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Registrar shall duly endorse and execute on such Note a Certificate of Authentication substantially in the form of the Certificate herein set forth. Such Certificate upon any Note executed on behalf of the Issuer shall be conclusive evidence that the Note so authenticated has been duly issued under this Resolution and that the holder thereof is entitled to the benefits of this Resolution.

Section 11. Right to Name Substitute Paying Agent or Registrar. Issuer reserves the right to name a substitute, successor Registrar or Paying Agent upon giving prompt written notice to each registered Noteholder.

Section 12. Form of Note. Notes shall be printed in substantial compliance with standards proposed by the American Standards Institute substantially in the form as follows:



<p>(10) (Continued)</p>		<p>(16)</p>
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FIGURE 2
(Back)

The text of the Notes to be located thereon at the item numbers shown shall be as follows:

Item 1, figure 1= "STATE OF IOWA"
"COUNTY OF MARION"
"CITY OF PELLA"
"MUNICIPAL COMMUNICATIONS UTILITY"
"COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN
NOTE"
"SERIES 2020A"

Item 2, figure 1 = Rate: Variable
Item 3, figure 1 = Maturity: June 1, 2035
Item 4, figure 1 = Note Date: May 28, 2020
Item 5, figure 1 = CUSIP No.: N/A
Item 6, figure 1 = "Registered"
Item 7, figure 1 = Note No. 1
Item 8, figure 1 = Principal Amount: \$4,326,000

Item 9, figure 1= The City of Pella, State of Iowa, a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of Iowa (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, on the maturity date indicated above, to

Item 9A, figure 1 = (Registration panel to be completed by Registrar or Printer with name of Registered Owner).

Item 10, figure 1 = or registered assigns, the principal sum of FOUR MILLION THREE HUNDRED TWENTY SIX THOUSAND DOLLARS in lawful money of the United States of America, on the maturity date shown above, only upon presentation and surrender hereof at the office of the Director of Finance, Paying Agent of this issue, or its successor, with interest on such sum from the date hereof until paid at the rate per annum specified above, payable on December 1, 2020, and semiannually thereafter on the 1st day of June and December in each year.

Interest and principal shall be paid to the registered holder of the Note as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

This Note is issued pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa, for the purpose of paying costs of improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital setup boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building, and other miscellaneous improvements, extensions and equipment purchases to benefit

the utility, and in order to evidence the obligations of the Issuer under a certain Loan Agreement, in conformity to a Resolution of the City Council of the City duly passed and approved. For a complete statement of the revenues and funds from which and the conditions under which this Note is payable, a statement of the conditions under which additional Notes or Bonds of equal standing may be issued, and the general covenants and provisions pursuant to which this Note is issued, reference is made to the above described Loan Agreement and Resolution.

The Note shall mature and bear interest as follows:

Term Note #1

Principal Amount*	Interest Rate	Maturity June 1st
\$50,000	3.375%	2024
\$175,000	3.375%	2025
\$352,000	3.375%	2026
\$363,000	3.375%	2027
\$376,000	**	2028
\$388,000	**	2029
\$401,000	**	2030
\$415,000	**	2031
\$429,000	**	2032
\$444,000	**	2033
\$458,000	**	2034
\$475,000	**	2035***

* If less than \$4,326,000 is advanced under the Notes, the annual principal payments shall be prorated at the end of the Draw Period (May 15, 2023) to reflect the total amount advanced under the Notes. For example, if \$4,200,000 is advanced under the Notes, the June 1, 2024 maturity shall be \$48,543.69, which equals $\$50,000 \times (\$4,200,000 / \$4,326,000)$.

** The interest rate will be 3.375% through June 1, 2027, at which time the rate will adjust to the CMT Rate (as defined herein) plus 2.55%, subject to a ceiling of 7.00% and a floor of 3.375%, as set forth herein (the “Adjusted Interest Rate”).

*** Final maturity.

On the final Maturity Date, all remaining outstanding principal of the Notes plus accrued interest thereon shall be immediately due and payable.

Interest Rate: The outstanding principal of the Notes shall bear interest at the initial rate (the “Initial Interest Rate”) of 3.375% per annum from the Note Date of the Notes until June 1, 2027. The Interest Rate on the Notes will be adjusted on June 1, 2027, (the “Interest Adjustment Date”), to a rate (the “Adjusted Interest Rate”) per annum determined by the Lender to be equal to the Average CMT Rate plus 2.55%; provided, however, that the Adjusted Interest Rate shall be subject to a ceiling of 7.00% and a floor of the Initial Interest Rate. The “Average CMT Rate” means the average of the 5-year Daily Treasury Yield Curve Rate (commonly referred to as

“Constant Maturity Treasury” rates, or CMT rates) and the 7-year Daily Treasury Yield Curve Rate, each as reported at www.treasury.gov on the Interest Adjustment Date, or on the last business date preceding the Interest Adjustment Date if the Interest Adjustment Date is not a business date. In the Event that the Average CMT Rate cannot be ascertained by the Lender due to changes in reports, publications, market conditions or regulatory requirements, then the Lender shall select a substitute rate or index that is reasonably equivalent to the Average CMT Rate and published in the Wall Street Journal.

The Notes may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Ownership of this Note may be transferred only by transfer upon the books kept for such purpose by the Director of Finance, the Registrar. Such transfer on the books shall occur only upon presentation and surrender of this Note at the office of the Registrar as designated below, together with an assignment duly executed by the owner hereof or his duly authorized attorney in the form as shall be satisfactory to the Registrar. Issuer reserves the right to substitute the Registrar and Paying Agent but shall, however, promptly give notice to registered Noteholders of such change. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code and subject to the provisions for registration and transfer contained in the Note Resolution.

This Note and the series of which it forms a part, other obligations ranking on a parity therewith, and any Additional Obligations which may be hereafter issued and outstanding from time to time on a parity with the Notes, as provided in the Note Resolution and Loan Agreement of which notice is hereby given and which are hereby made a part hereof, are payable from and secured by a pledge of the Net Revenues of the Municipal Communications Utility (the "System"), as defined and provided in the Resolution. There has heretofore been established and the City covenants and agrees that it will maintain just and equitable rates or charges for the use of and service rendered by the System in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and for the establishment of a sufficient sinking fund to meet the principal of and interest on this series of Notes, and other Obligations ranking on a parity therewith, as the same become due. This Note is not payable in any manner by taxation and under no circumstances shall the City be in any manner liable by reason of the failure of the Net Revenues to be sufficient for the payment hereof.

And it is hereby represented and certified that all acts, conditions and things requisite, according to the laws and Constitution of the State of Iowa, to exist, to be had, to be done, or to be performed precedent to the lawful issue of this Note, have been existent, had, done and performed as required by law.

IN TESTIMONY WHEREOF, the City by its City Council has caused this Note to be signed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its Clerk, with the seal of the City printed or impressed hereon, and authenticated by the manual signature of an authorized representative of the Registrar, the Director of Finance, Pella, Iowa.

- Item 11, figure 1 = Date of Authentication:
- Item 12, figure 1 = This is one of the Notes described in the within mentioned Resolution, as registered by the Director of Finance

DIRECTOR OF FINANCE, Registrar

By: _____
Authorized Signature

- Item 13, figure 1 = Registrar and Transfer Agent: Director of Finance
- Paying Agent: Director of Finance

SEE REVERSE FOR CERTAIN DEFINITIONS

- Item 14, figure 1 = (Seal)
- Item 15, figure 1 = (Signature Block)

CITY OF PELLA, STATE OF IOWA

By: _____ (manual or facsimile signature)
Mayor

ATTEST:

By: _____ (manual or facsimile signature)
City Clerk

- Item 17, figure 1 = (Assignment Block)
- (Information Required for Registration)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ (Social Security or Tax Identification No. _____) the within Note and does hereby irrevocably constitute and appoint _____ attorney in fact to transfer the said Note on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated this _____ day of _____, _____.

(Person(s) executing this Assignment sign(s) here)

SIGNATURE)
GUARANTEED) _____

IMPORTANT - READ CAREFULLY

The signature(s) to this Power must correspond with the name(s) as written upon the face of the Certificate(s) or Note(s) in every particular without alteration or enlargement or any change whatever. Signature guarantee must be provided in accordance with the prevailing standards and procedures of the Registrar and Transfer Agent. Such standards and procedures may require signature to be guaranteed by certain eligible guarantor institutions that participate in a recognized signature guarantee program.

INFORMATION REQUIRED FOR REGISTRATION OF TRANSFER

Name of Transferee(s) _____

Address of Transferee(s) _____

Social Security or Tax Identification

Number of Transferee(s) _____

Transferee is a(n):

Individual* _____

Corporation _____

Partnership _____

Trust _____

* If the Note is to be registered in the names of multiple individual owners, the names of all such owners and one address and social security number must be provided.

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with rights of survivorship and not as tenants in common
IA UNIF TRANS MIN ACT - Custodian
(Cust) (Minor)
Under Iowa Uniform Transfers to Minors Act.....
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE ABOVE LIST

Section 13. Equality of Lien. The timely payment of principal of and interest on the Notes and Parity Obligations shall be secured equally and ratably by the Net Revenues of the System without priority by reason of number or time of sale or delivery; and the revenues of the System are hereby irrevocably pledged to the timely payment of both principal and interest as the same become due.

Section 14. Application of Note Proceeds – Project Fund. Proceeds of the Notes shall be applied as follows:

- ◆ An amount equal to accrued interest shall be deposited in the Sinking Fund for application to the first payment of interest on the Notes.
- ◆ \$139,279 of the Proceeds of the Notes shall be deposited into the Capitalized Interest Fund of the Issuer to be applied toward interest on the Notes on the interest payment dates through and including December 1, 2021.
- ◆ The balance of the proceeds shall be deposited to the Project Fund and expended therefrom for the purposes of issuance.

The Project Fund and the Capitalized Interest Fund shall be invested in accordance with Section 18 of this Resolution. Earnings on investments of the Project Fund shall be deposited in and expended from the Project Fund. Any amounts on hand in the Project Fund shall be available for the payment of the principal of or interest on the Notes at any time that other funds of the System shall be insufficient to the purpose, in which event such funds shall be repaid to the Project Fund at the earliest opportunity. Any balance on hand in the Project Fund and not immediately required for its purposes may be invested not inconsistent with limitations provided by law, the Internal Revenue Code and this Resolution.

Section 15. User Rates. There has heretofore been established and published as required by law, just and equitable rates or charges for the use of the service rendered by the System. The rates or charges shall be paid by the owner of each and every lot, parcel of real estate, or building that is connected with and uses the System, by or through any part of the System or that in any way uses or is served by the System. So long as the Notes are outstanding and unpaid the rates or charges to consumers of services of the System shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and

for the payment of principal and interest on the Notes and Parity Notes and obligations as the same fall due, and to provide for the creation of reserves as hereinafter provided.

Any revenues paid and collected for the use of the System and its services by the Issuer or any department, agency or instrumentality of the Issuer shall be used and accounted for in the same manner as any other revenues derived from the operations of the System.

Section 16. Application of Revenues. From and after the delivery of any Notes, and as long as any of the Notes or Parity Obligations shall be outstanding and unpaid either as to principal or as to interest, or until all of the Notes and Parity Obligations then outstanding shall have been discharged and satisfied in the manner provided in this Resolution, the entire income and revenues of the System shall be deposited as collected in a fund to be known as the Communications Utility Revenue Fund (the "Revenue Fund"), and shall be disbursed only as follows:

(a) Operation and Maintenance Fund. Money in the Revenue Fund shall first be disbursed to make deposits into a separate and special fund to pay current expenses. The fund shall be known as the Communications Utility Revenue Operation and Maintenance Fund (the "Operation and Maintenance Fund"). There shall be deposited in the Operation and Maintenance Fund each month an amount sufficient to meet the current expenses of the month plus an amount equal to 1/12th of expenses payable on an annual basis such as insurance. After the first day of the month, further deposits may be made to this account from the Revenue Fund to the extent necessary to pay current expenses accrued and payable to the extent that funds are not available in the Surplus Fund.

(b) Sinking Fund. Money in the Revenue Fund shall next be disbursed to make deposits into a separate and special fund to pay the principal and interest requirements of the Fiscal Year on the Notes and Parity Obligations. The fund shall be known as the Communications Utility Revenue Note and Interest Sinking Fund (the "Sinking Fund"). The required amount to be deposited in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date on the then outstanding Notes and Parity Obligations, plus the equal monthly amount necessary to pay in full the installment of principal coming due on such Notes on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Notes and Parity Obligations as the same shall become due and payable.

(c) Subordinate Obligations. Money in the Revenue Fund may next be used to pay principal of and interest on (including reasonable reserves therefor) any other obligations which by their terms shall be payable from the revenues of the System, but subordinate to the Notes and Parity Obligations, and which have been issued for the purposes of extensions and improvements to the System or to retire the Notes or Parity

Obligations in advance of maturity, or to pay for extraordinary repairs or replacements to the System.

(d) Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month may be deposited in any of the funds created by this Resolution, to pay for extraordinary repairs or replacements to the System, or may be used to pay or redeem the Notes or Parity Obligations, any of them, or for any lawful purpose.

Money in the Revenue Fund shall be allotted and paid into the various funds and accounts hereinbefore referred to in the order in which the funds are listed, on a cumulative basis on the 10th day of each month, or on the next succeeding business day when the 10th shall not be a business day; and if in any month the money in the Revenue Fund shall be insufficient to deposit or transfer the required amount in any of the funds or accounts, the deficiency shall be made up in the following month or months after payments into all funds and accounts enjoying a prior claim to the revenues shall have been met in full. The provisions of this Section shall not be construed to require the Issuer to maintain separate bank accounts for the funds created by this Section; except the Sinking Fund and the Reserve Fund shall be maintained in a separate account but may be invested in conjunction with other funds of the City but designated as a trust fund on the books and records of the City.

Section 17. Outstanding Obligations. Nothing in this Resolution shall be construed to impair the rights vested in the Outstanding Obligations. The amounts herein required to be paid into the various funds named in this Resolution shall be inclusive of payments required in respect to the Outstanding Obligations. The provisions of the resolution or resolutions referred to in Section 1 of this Resolution and the provisions of this Resolution are to be construed wherever possible so that the same will not be in conflict. In the event such construction is not possible, the provisions of the resolution first adopted shall prevail until such time as the Notes authorized by the resolution have been paid in full or otherwise satisfied as therein provided at which time the provisions of this Resolution shall again prevail.

Section 18. Investments. All of the funds provided by this Resolution may be invested only in investments permitted by Chapter 12B, Code of Iowa, 2020, as amended, or deposited in financial institutions which are members of the Federal Deposit Insurance Corporation or its equivalent successor, and the deposits in which are insured thereby and all such deposits exceeding the maximum amount insured from time to time by FDIC or its equivalent successor in any one financial institution shall be continuously secured in compliance with Chapter 12C of the Code of Iowa, 2020, as amended, or otherwise by a valid pledge of direct obligations of the United States Government having an equivalent market value. All such interim investments shall mature before the date on which the moneys are required for the purposes for which the fund was created or otherwise as herein provided but in no event maturing in more than three years in the case of the Reserve Fund.

All income derived from such investments shall be deposited in the Revenue Fund and shall be regarded as revenues of the System. Investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective fund was created.

Section 19. Covenants Regarding the Operation of the System. The Issuer hereby covenants and agrees with each and every holder of the Notes and Parity Obligations:

(a) Maintenance and Efficiency. The Issuer will maintain the System in good condition and operate it in an efficient manner and at reasonable cost.

(b) Sufficiency of Rates. On or before the beginning of each Fiscal Year *commencing with Fiscal Year 2023* the Governing Body will adopt or continue in effect rates for all services rendered by the System determined to be sufficient to produce Net Revenues for the next succeeding Fiscal Year adequate to pay principal and interest requirements and create reserves as provided in this Resolution but not less than 110 percent of the principal and interest requirements of the Fiscal Year. No free use of the System by the Issuer or any department, agency or instrumentality of the Issuer shall be permitted except upon the determination of the Governing Body that the rates and charges otherwise in effect are sufficient to provide Net Revenues at least equal to the requirements of this subsection.

(c) Insurance. That the Issuer shall maintain insurance for the benefit of the Noteholders on the insurable portions of the System of a kind and in an amount which normally would be carried by private companies engaged in a similar kind of business. The proceeds of any insurance, except public liability insurance, shall be used to repair or replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in the Revenue Fund.

(d) Accounting and Audits. The Issuer will cause to be kept proper books and accounts adapted to the System and in accordance with generally accepted accounting practices, and will diligently act to cause the books and accounts to be audited annually and reported upon not later than 270 days after the end of each Fiscal Year by an Independent Auditor and will provide copies of the audit report to the holders of any of the Notes and Parity Obligations upon request. The holders of any of the Notes and Parity Obligations shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Issuer relating thereto.

(e) State Laws. The Issuer will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Iowa, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will segregate the revenues of the System and apply the revenues to the funds specified in this Resolution.

(f) Property. The Issuer will not sell, lease, mortgage or in any manner dispose of the System, or any capital part thereof, including any and all extensions and additions that may be made thereto, until satisfaction and discharge of all of the Notes and Parity Obligations shall have been provided for in the manner provided in this Resolution; provided, however, that this covenant shall not be construed to prevent the disposal by the Issuer of property which in the judgment of its Governing Body has

become inexpedient or unprofitable to use in connection with the System, or if it is to the advantage of the System that other property of equal or higher value be substituted therefor, and provided further that the proceeds of the disposition of such property shall be placed in a revolving fund to be used in preference to other sources for capital improvements to the System. Any such proceeds of the disposition of property acquired with the proceeds of the Notes or Parity Obligations shall not be used to pay principal or interest on the Notes or Parity Obligations or for payments into the Sinking.

(g) Fidelity Bond. The Issuer shall maintain fidelity bond coverage in amounts which normally would be carried by private companies engaged in a similar kind of business on each officer or employee having custody of funds of the System.

(h) Additional Charges. The Issuer will require proper connecting charges and/or other security for the payment of service charges.

(i) Budget. The Governing Body of the Issuer shall approve and conduct operations pursuant to a system budget of revenues and current expenses for each Fiscal Year. Such budget shall take into account revenues and current expenses during the current and last preceding Fiscal Year. Copies of such budget and any amendments thereto shall be provided to the holders of any of the Notes upon request.

Section 20. Remedies of Noteholders. Except as herein expressly limited the holder or holders of the Notes and Parity Obligations shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their Notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder.

Section 21. Prior Lien and Parity Obligations. The Issuer will issue no other notes, bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the property or revenues of the System having priority over the Notes or Parity Obligations.

Additional Obligations may be issued on a parity and equality of rank with the Notes with respect to the lien and claim of such Additional Obligations to the revenues of the System and the money on deposit in the funds adopted by this Resolution, for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Notes or Parity Obligations which shall have matured or which shall mature not later than three months after the date of delivery of such refunding obligation and for the payment of which there shall be insufficient money in the Sinking Fund;

(b) For the purpose of refunding any outstanding Notes, Parity Obligations or general obligation notes or making extensions, additions, improvements or replacements to the System, if all of the following conditions shall have been met:

(i) before any such Additional Obligations ranking on a parity are issued, there will have been procured and filed with the City Clerk, a statement of an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, reciting the opinion based upon necessary investigations that the Net Revenues of the System for the preceding Fiscal Year (with adjustments as hereinafter provided) were equal to at least 1.10 times the maximum amount that will be required in any Fiscal Year prior to the longest maturity of any of the Notes or Parity Obligations for both principal of and interest on all Notes and Parity Obligations then outstanding which are payable from the net earnings of the System and the Additional Obligations then proposed to be issued.

For the purpose of determining the Net Revenues of the System for the preceding Fiscal Year as aforesaid, the amount of the gross revenues for such year may be adjusted by an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, so as to reflect any changes in the amount of such revenues which would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the issuance of any such Additional Obligations been in effect during all of such preceding Fiscal Year.

(ii) the Additional Obligations must be payable as to principal and as to interest on the same month and day as the Notes herein authorized.

(iii) for the purposes of this Section, principal and interest falling due on the first day of a Fiscal Year shall be deemed a requirement of the immediately preceding Fiscal Year.

(iv) for the purposes of this Section, general obligation bonds or notes shall be refunded only upon a finding of necessity by the Governing Body and only to the extent the general obligation bonds or notes were issued or the proceeds thereof were expended for the System.

(v) for purposes of this Section, "preceding Fiscal Year" shall be the most recently completed Fiscal Year for which audited financial statements prepared by a certified public accountant are issued and available, but in no event a Fiscal Year which ended more than eighteen months prior to the date of issuance of Additional Obligations.

Section 22. Disposition of Proceeds; Arbitrage Not Permitted. The Issuer reasonably expects and covenants that no use will be made of the proceeds from the issuance and sale of the Notes issued hereunder which will cause any of the Notes to be classified as arbitrage bonds within the meaning of Section 148(a) and (b) of the Internal Revenue Code of the United States,

and that throughout the term of the Notes it will comply with the requirements of such statute and regulations issued thereunder.

To the best knowledge and belief of the Issuer, there are no facts or circumstances that would materially change the foregoing statements or the conclusion that it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be arbitrage notes. Without limiting the generality of the foregoing, the Issuer hereby agrees to comply with the provisions of the Tax Exemption Certificate and the provisions of the Tax Exemption Certificate are hereby incorporated by reference as part of this Resolution. The Treasurer is hereby directed to make and insert all calculations and determinations necessary to complete the Tax Exemption Certificate in all respects and to execute and deliver the Tax Exemption Certificate at issuance of the Notes to certify as to the reasonable expectations and covenants of the Issuer at that date.

The Issuer covenants that it will treat as Yield Restricted any proceeds of the Notes remaining unexpended after three years from the issuance and any other funds required by the Tax Exemption Certificate to be so treated. If any investments are held with respect to the Notes and Parity Obligations, the Issuer shall treat the same for the purpose of restricted yield as held in proportion to the original principal amounts of each issue.

The Issuer covenants that it will exceed any investment yield restriction provided in this Resolution only in the event that it shall first obtain an opinion of recognized bond counsel that the proposed investment action will not cause the Notes to be classified as arbitrage bonds under Section 148(a) and (b) the Internal Revenue Code or regulations issued thereunder.

The Issuer covenants that it will proceed with due diligence to spend the proceeds of the Notes for the purpose set forth in this Resolution. The Issuer further covenants that it will make no change in the use of the proceeds available for the construction of facilities or change in the use of any portion of the facilities constructed therefrom by persons other than the Issuer or the general public unless it has obtained an opinion of bond counsel or a revenue ruling that the proposed project or use will not be of such character as to cause interest on any of the Notes not to be exempt from federal income taxes in the hands of holders other than substantial users of the project, under the provisions of Section 142(a) of the Internal Revenue Code of the United States, related statutes and regulations.

Section 23. Additional Covenants, Representations and Warranties of the Issuer. The Issuer certifies and covenants with the purchasers and holders of the Notes from time to time outstanding that the Issuer through its officers, (a) will make such further specific covenants, representations and assurances as may be necessary or advisable; (b) comply with all representations, covenants and assurances contained in the Tax Exemption Certificate, which Tax Exemption Certificate shall constitute a part of the contract between the Issuer and the owners of the Notes; (c) consult with bond counsel (as defined in the Tax Exemption Certificate); (d) pay to the United States, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Notes; (e) file such forms, statements and supporting documents as may be required and in a timely manner; and (f) if deemed necessary or

advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Issuer in such compliance.

Section 24. Discharge and Satisfaction of Notes. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Notes and Parity Obligations, or any of them, in any one or more of the following ways:

- (a) By paying the Notes or Parity Obligations when the same shall become due and payable; and
- (b) By depositing in trust with the Treasurer, or with a corporate trustee designated by the Governing Body for the payment of the obligations and irrevocably appropriated exclusively to that purpose an amount in cash or direct obligations of the United States the maturities and income of which shall be sufficient to retire at maturity, or by redemption prior to maturity on a designated date upon which the obligations may be redeemed, all of such obligations outstanding at the time, together with the interest thereon to maturity or to the designated redemption date, premiums thereon, if any, that may be payable on the redemption of the same; provided that proper notice of redemption of all such obligations to be redeemed shall have been previously published or provisions shall have been made for such publication.

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

Section 25. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the holder or holders of the Notes and Parity Obligations, and after the issuance of any of the Notes no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as provided in the next succeeding Section, until such time as all of the Notes and Parity Obligations, and interest due thereon, shall have been satisfied and discharged as provided in this Resolution.

Section 26. Amendment of Resolution Without Consent. The Issuer may, without the consent of or notice to any of the holders of the Notes and Parity Obligations, amend or supplement this Resolution for any one or more of the following purposes:

- (a) to cure any ambiguity, defect, omission or inconsistent provision in this Resolution or in the Notes or Parity Obligations; or to comply with any application provision of law or regulation of federal or state agencies; provided, however, that such action shall not materially adversely affect the interests of the holders of the Notes or Parity Obligations;

- (b) to change the terms or provisions of this Resolution to the extent necessary to prevent the interest on the Notes or Parity Obligations from being includable within the gross income of the holders thereof for federal income tax purposes;
- (c) to grant to or confer upon the holders of the Notes or Parity Obligations any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the holders of the Notes;
- (d) to add to the covenants and agreements of the Issuer contained in this Resolution other covenants and agreements of, or conditions or restrictions upon, the Issuer or to surrender or eliminate any right or power reserved to or conferred upon the Issuer in this Resolution; or
- (e) to subject to the lien and pledge of this Resolution additional pledged revenues as may be permitted by law.

Section 27. Amendment of Resolution Requiring Consent. This Resolution may be amended from time to time if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the Notes and Parity Obligations at any time outstanding (not including in any case any Notes which may then be held or owned by or for the account of the Issuer, but including such refunding obligations as may have been issued for the purpose of refunding any of such Notes if such refunding obligations shall not then be owned by the Issuer); but this Resolution may not be so amended in such manner as to:

- (a) Make any change in the maturity of interest rate of the Notes, or modify the terms of payment of principal of or interest on the Notes or any of them or impose any conditions with respect to such payment;
- (b) Materially affect the rights of the holders of less than all of the Notes and Parity Obligations then outstanding; and
- (c) Reduce the percentage of the principal amount of Notes, the consent of the holders of which is required to effect a further amendment.

Whenever the Issuer shall propose to amend this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be filed with the Original Purchaser and to be mailed by certified mail to each registered owner of any Note as shown by the records of the Registrar. Such notice shall set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory Resolution is on file in the office of the City Clerk.

Whenever at any time within one year from the date of the mailing of the notice there shall be filed with the City Clerk an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Notes then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory Resolution described in the notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Governing Body of the Issuer may adopt such amendatory Resolution and such

Resolution shall become effective and binding upon the holders of all of the Notes and Parity Obligations.

Any consent given by the holder of a Note pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Note during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the City Clerk.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Notes held by any person executing such instrument and the date of his holding the same may be proved by an affidavit by such person or by a certificate executed by an officer of a bank or trust company showing that on the date therein mentioned such person had on deposit with such bank or trust company the Notes described in such certificate.

Section 28. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions.

Section 29. Repeal of Conflicting Ordinances or Resolutions and Effective Date. All other ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; and this Resolution shall be in effect from and after its adoption.

[Reminder of this page intentionally left blank]

ADOPTED AND APPROVED this _____ day of _____, 2020.

Mayor

ATTEST:

City Clerk

TAX EXEMPTION CERTIFICATE

of

CITY OF PELLA, COUNTY OF MARION, STATE OF IOWA, ISSUER

\$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020A

This instrument was prepared by:

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, Iowa 50309
(515) 243-7611

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TAX EXEMPTION CERTIFICATE

CITY OF PELLA, STATE OF IOWA

THIS TAX EXEMPTION CERTIFICATE made and entered into on May 28, 2020, by the City of Pella, County of Marion, State of Iowa (the "Issuer").

INTRODUCTION

This Certificate is executed and delivered in connection with the issuance by the Issuer of its \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020A (the "Bonds"). The Bonds are issued pursuant to the provisions of the Resolution of the Issuer authorizing the issuance of the Bonds. Such Resolution provides that the covenants contained in this Certificate constitute a part of the Issuer's contract with the owners of the Bonds.

The Issuer recognizes that under the Code (as defined below) the tax-exempt status of the interest received by the owners of the Bonds is dependent upon, among other things, the facts, circumstances, and reasonable expectations of the Issuer as to future facts not in existence at this time, as well as the observance of certain covenants in the future. The Issuer covenants that it will take such action with respect to the Bonds as may be required by the Code, and pertinent legal regulations issued thereunder in order to establish and maintain the tax-exempt status of the Bonds, including the observance of all specific covenants contained in the Resolution and this Certificate.

ARTICLE I

DEFINITIONS

The following terms as used in this Certificate shall have the meanings set forth below. The terms defined in the Resolution shall retain the meanings set forth therein when used in this Certificate. Other terms used in this Certificate shall have the meanings set forth in the Code or in the Regulations.

- "Annual Debt Service" means the principal of and interest on the Bonds scheduled to be paid during a given Bond Year.
- "Bonds" means the \$4,326,000 aggregate principal amount of Communications Utility Revenue Capital Loan Notes, Series 2020A, of the Issuer issued in registered form pursuant to the Resolution.
- "Bond Counsel" means Ahlers & Cooney, P.C., Des Moines, Iowa, or an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any State of the United States of America.
- "Bond Fund" means the Sinking Fund described in the Resolution.

- "Bond Purchase Agreement" means the binding contract in writing for the sale of the Bonds.
- "Bond Year" as defined in Regulation 1.148-1(b), means a one-year period beginning on the day after expiration of the preceding Bond Year. The first Bond Year shall be the one-year or shorter period beginning on the Closing Date and ending on a principal or interest payment date, unless Issuer selects another date.
- "Bond Yield" means the yield on the Bonds and bonds described in Section 2.1(1) computed under Section 1.148-4(c) of the Regulations, which will be computed as a variable rate issue.
- "Certificate" means this Tax Exemption Certificate.
- "Closing" means the delivery of the Bonds in exchange for the agreed upon purchase price.
- "Closing Date" means the date of Closing.
- "Code" means the Internal Revenue Code of 1986, as amended, and any statutes which replace or supplement the Internal Revenue Code of 1986.
- "Computation Date" means each five-year period from the Closing Date through the last day of the fifth and each succeeding fifth Bond Year.
- "Excess Earnings" means the amount earned on all Nonpurpose Investments minus the amount which would have been earned if such Nonpurpose Investments were invested at a rate equal to the Bond Yield, plus any income attributable to such excess.
- "Final Bond Retirement Date" means the date on which the Bonds are actually paid in full.
- "Governmental Obligations" means direct general obligations of, or obligations the timely payment of the principal of and interest on which is unconditionally guaranteed by the United States.
- "Gross Proceeds" as defined in Regulation 1.148-1(b), means any Proceeds of the Bonds and any replacement proceeds (as defined in Regulation 1.148-1(c)) of the Bonds.
- "Gross Proceeds Funds" means the Project Fund, Proceeds held to pay cost of issuance, and any other fund or account held for the benefit of the owners of the Bonds or containing Gross Proceeds of the Bonds except the Bond Fund and the Rebate Fund.

- "Issue Price" as defined in Regulation 1.148-1(b) and (f)(2), means the price paid by the Purchaser of the Bonds. The Issue Price is \$4,326,000, as set forth in Exhibit A.
- "Issuer" means the City of Pella, a municipal corporation in County of Marion, State of Iowa.
- "Minor Portion of the Bonds", as defined in Regulation 1.148-2(g), means the lesser of five (5) percent of Proceeds or \$100,000. The Minor Portion of the Bonds is computed to be \$100,000.
- "Nonpurpose Investments" means any investment property which is acquired with Gross Proceeds and is not acquired to carry out the governmental purpose of the Bonds, and may include but is not limited to U.S. Treasury bonds, corporate bonds, or certificates of deposit.
- "Proceeds" as defined in Regulation 1.148-1(b), means Sale Proceeds, investment proceeds and transferred proceeds of the Bonds.
- "Project" means the improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital set top boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building, and other miscellaneous improvements, extensions and equipment purchases to benefit the utility including sums already expended that meet the requirements of Section 2.8 hereof, as more fully described in the Resolution.
- "Project Fund" shall mean the fund required to be established by the Resolution for the deposit of the Proceeds of the Notes.
- "Purchasers" means Bank Iowa of Pella, Iowa, constituting the initial purchasers of the Bonds from the Issuer.
- "Rebate Amount" means the amount computed as described in this Certificate.
- "Rebate Fund" means the fund to be created, if necessary, pursuant to this Certificate.
- "Rebate Payment Date" means a date chosen by the Issuer which is not more than 60 days following each Computation Date or the Final Bond Retirement Date.
- "Regulations" means the Income Tax Regulations, amendments and successor provisions promulgated by the Department of the Treasury under Sections 103, 148 and 149 of the Code, or other Sections of the Code relating to "arbitrage bonds", including without limitation Regulations 1.148-1 through 1.148-11, 1.149(b)-1, 1.149-d(1), 1.150-1 and 1.150-2.

- "Replacement Proceeds" include, but are not limited to, sinking funds, amounts that are pledged as security for an issue, and amounts that are replaced because of a sufficiently direct nexus to a governmental purpose of an issue.
- "Resolution" means the resolution of the Issuer adopted on May 12, 2020, authorizing the issuance of the Bonds.
- "Sale Proceeds" as defined in Regulation 1.148-1(b), means any amounts actually or constructively received from the sale of the Bonds, including amounts used to pay underwriter's discount or compensation and accrued interest other than pre-issuance accrued interest.
- "Sinking Fund" means the Bond Fund.
- "SLGS" means demand deposit Treasury securities of the State and Local Government Series.
- "Tax Exempt Obligations" means bonds or other obligations the interest on which is excludable from the gross income of the owners thereof under Section 103 of the Code and include certain regulated investment companies, stock in tax-exempt mutual funds and demand deposit SLGS.
- "Taxable Obligations" means all investment property, obligations or securities other than Tax Exempt Obligations.
- "Verification Certificate" means the Bond Purchase Agreement.

ARTICLE II

SPECIFIC CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

The Issuer hereby certifies, represents and agrees as follows:

Section 2.1 Authority to Certify and Expectations

- (a) The undersigned officer of the Issuer along with other officers of the Issuer, are charged with the responsibility of issuing the Bonds.
- (b) This Certificate is being executed and delivered in part for the purposes specified in Section 1.148-2(b)(2) of the Regulations and is intended (among other purposes) to establish reasonable expectations of the Issuer at this time.
- (c) The Issuer has not been notified of any disqualification or proposed disqualification of it by the Commissioner of the Internal Revenue Service as a bond issuer which may certify bond issues under Section 1.148-2(b)(2) of the Regulations.

(d) The certifications, representations and agreements set forth in this Article II are made on the basis of the facts, estimates and circumstances in existence on the date hereof, including the following: (1) with respect to amounts expected to be received from delivery of the Bonds, amounts actually received, (2) with respect to payments of amounts into various funds or accounts, review of the authorizations or directions for such payments made by the Issuer pursuant to the Resolution and this Certificate, (3) with respect to the Issue Price, the certifications of the Purchasers as set forth in the Verification Certificate, (4) with respect to expenditure of the Proceeds of the Bonds, actual expenditures and reasonable expectations of the Issuer as to when the Proceeds will be spent for purposes of the Project, (5) with respect to Bond Yield, review of the Verification Certificate, and (6) with respect to the amount of governmental and qualified 501(c)(3) bonds to be issued during the calendar year, the budgeting and present planning of Issuer. The Issuer has no reason to believe such facts, estimates or circumstances are untrue or incomplete in any material way.

(e) To the best of the knowledge and belief of the undersigned officer of the Issuer, there are no facts, estimates or circumstances that would materially change the representations, certifications or agreements set forth in this Certificate, and the expectations herein set out are reasonable.

(f) No arrangement exists under which the payment of principal or interest on the Bonds would be directly or indirectly guaranteed by the United States or any agency or instrumentality thereof.

(g) After the expiration of any applicable temporary periods, and excluding investments in a bona fide debt service fund or reserve fund, not more than five percent (5%) of the Proceeds of the Bonds will be (a) used to make loans which are guaranteed by the United States or any agency or instrumentality thereof, or (b) invested in federally insured deposits or accounts.

(h) The Issuer will file with the Internal Revenue Service in a timely fashion Form 8038-G, Information Return for Tax-Exempt Governmental Obligations with respect to the Bonds and such other reports required to comply with the Code and applicable Regulations.

(i) The Issuer will take no action which would cause the Bonds to become "private activity bonds" as defined in Section 141 (a) of the Code, including any use of the Project by any person other than a governmental unit if such use will be by other than a member of the general public. None of the Proceeds of the Bonds will be used directly or indirectly to make or finance loans to any person other than a governmental unit.

(j) The Issuer will make no change in the nature or purpose of the Project except as provided in Section 6.1 hereof.

(k) Except as provided in the Resolution, the Issuer will not establish any sinking fund, bond fund, reserve fund, debt service fund or other fund reasonably expected to be used to pay debt service on the Bonds (other than the Bond Fund and any

Reserve Fund), exercise its option to redeem Bonds prior to maturity or effect a refunding of the Bonds.

(l) Except for the Bonds described as Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B and Communications Utility Revenue Capital Loan Notes, Series 2020G, no bonds or other obligations of the Issuer (1) were sold in the 15 days preceding the date of sale of the Bonds, (2) were sold or will be sold within the 15 days after the date of sale of the Bonds, (3) have been delivered in the past 15 days or (4) will be delivered in the next 15 days pursuant to a common plan of financing for the issuance of the Bonds and payable out of substantially the same source of revenues.

(m) None of the Proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer used directly or indirectly to acquire obligations having a yield higher than the Bond Yield.

(n) No portion of the Bonds is issued for the purpose of investing such portion at a higher yield than the Bond Yield.

(o) The Issuer does not expect that the Proceeds of the Bonds will be used in a manner that would cause them to be "arbitrage bonds" as defined in Section 148(a) of the Code. The Issuer does not expect that the Proceeds of the Bonds will be used in a manner that would cause the interest on the Bonds to be includible in the gross income of the owners of the Bonds under the Code. The Issuer will not intentionally use any portion of the Proceeds to acquire higher yielding investments.

(p) The Issuer will not use the Proceeds of the Bonds to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage.

(q) The Issuer has not issued more Bonds, issued the Bonds earlier, or allowed the Bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Bonds and in fact, the Bonds will not remain outstanding longer than 120% of the economic useful life of the assets financed with the Proceeds of the Bonds.

(r) The Bonds will not be Hedge Bonds as described in Section 149(g)(3) of the Code because the Issuer reasonably expects that it will meet the Expenditure test set forth in Section 2.5(b) hereof and that 50% or more of the Proceeds will not be invested in Nonpurpose Investments having a substantially guaranteed yield for four or more years.

Except for costs of issuance, all Sale Proceeds and investment earnings thereon will be expended for costs of the type that would be chargeable to capital accounts under the Code pursuant to federal income tax principles if the Issuer were treated as a corporation subject to federal income taxation.

Section 2.2 Receipts and Expenditures of Sale Proceeds

Sale Proceeds (par) received at Closing are expected to be deposited and expended as follows:

(a) \$-0- representing pre-issuance accrued interest will be deposited into the Bond Fund and will be used to pay a portion of the interest accruing on the Bonds on the first interest payment date; and

(b) \$119,750 representing costs of issuing the Bonds will be used within six months of the Closing Date to pay the costs of issuance of the Bonds (with any excess remaining on deposit in the Project Fund); and

(c) \$139,279 representing capitalized interest will be deposited into the Capitalized Interest Fund and will be used to pay interest on the Bonds through December 1, 2021 (any excess, including earnings on the Capitalized Interest Fund, will be deposited into the Project Fund); and

(d) \$4,066,971 will be deposited into the Project Fund and will be used together with earnings thereon to pay the costs of the Project and will not exceed the amount necessary to accomplish the governmental purposes of the Bonds.

Section 2.3 Purpose of Bonds

The Issuer is issuing the Bonds to pay the costs of improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital set top boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building, and other miscellaneous improvements, extensions and equipment purchases to benefit the utility.

Section 2.4 Facts Supporting Tax-Exemption Classification

Governmental Bonds

Private Business Use/Private Security or Payment Tests

The Bonds are considered to be governmental bonds, not subject to the provisions of the alternate minimum tax. The Proceeds will be used for the purposes described in Section 2.3 hereof. These bonds are not private activity bonds because no amount of Proceeds of the Bonds is to be used in a trade or business carried on by a non-governmental unit. Rather, the Proceeds will be used to finance the general government operations and facilities of the Issuer described in Section 2.3 hereof. None of the payment of principal or interest on the Bonds will be derived from, or secured by, money or property used in a trade or business of a non-governmental unit. In addition, none of the governmental operations or facilities of the Issuer being financed with the Proceeds of the Bonds are subject to any lease, management contract or other similar arrangement or to any arrangement for use other than as by the general public.

Private Loan Financing Test

No amount of Proceeds of the Bonds is to be used directly or indirectly to make or finance loans to persons other than governmental units.

Section 2.5 Facts Supporting Temporary Periods for Proceeds

(a) Time Test. Not later than six months after the Closing Date, the Issuer will incur a substantial binding obligation to a third party to expend at least 5% of the net Sale Proceeds of the Bonds.

(b) Expenditure Test. Not less than 85% of the net Sale Proceeds will be expended for Project costs, including the reimbursement of other funds expended to date, within a three-year temporary period from the Closing Date.

(c) Due Diligence Test. Not later than six months after Closing, work on the Project will have commenced and will proceed with due diligence to completion.

(d) Proceeds of the Bonds representing less than six months accrued interest on the Bonds will be spent within six months of this date to pay interest on the Bonds, and will be invested without restriction as to yield for a temporary period not in excess of six months.

Section 2.6 Resolution Funds at Restricted or Unrestricted Yield

(a) Proceeds of the Bonds will be held and accounted for in the manner provided in the Resolution. The Issuer has not and does not expect to create or establish any other bond fund, reserve fund, or similar fund or account for the Bonds. The Issuer has not and will not pledge any moneys or Taxable Obligations in order to pay debt service on the Bonds or restrict the use of such moneys or Taxable Obligations so as to give reasonable assurances of their availability for such purposes.

(b) Any monies which are invested beyond a temporary period are expected to constitute less than a major portion of the Bonds or to be restricted for investment at a yield not greater than one-eighth of one percent above the Bond Yield.

(c) The Issuer has established and will use the Bond Fund primarily to achieve a proper matching of revenues and debt service within each Bond Year and the Issuer will apply moneys deposited into the Bond Fund to pay the principal of and interest on the Bonds. Such Fund will be depleted at least once each Bond Year except for a reasonable carryover amount. The carryover amount will not exceed the greater of (1) one year's earnings on the Bond Fund or (2) one-twelfth of Annual Debt Service. The Issuer will spend moneys deposited from time to time into such fund within 13 months after the date of deposit. Revenues, intended to be used to pay debt service on the Bonds, will be deposited into the Bond Fund as set forth in the Resolution. The Issuer will spend interest earned on moneys in such fund not more than 12 months after receipt. Accordingly, the Issuer will treat the Bond Fund as a bona fide debt service fund as defined in Regulation 1.148-1(b).

Investment of amounts on deposit in the Bond Fund will not be subject to arbitrage rebate requirements as the Bonds meet the safe harbor set forth in Regulation 1.148-3(k), because the average annual debt service on the Bonds will not exceed \$2,500,000; and the Bonds are expected to meet one or more of the spending exemptions from rebate as provided in Section 3.3 hereof.

- (d) The Minor Portion of the Bonds will be invested without regard to yield.

Section 2.7 Pertaining to Yields

(a) The purchase price of all Taxable Obligations to which restrictions apply under this Certificate as to investment yield or rebate of Excess Earnings, if any, has been and shall be calculated using (i) the price taking into account discount, premium and accrued interest, as applicable, actually paid or (ii) the fair market value if less than the price actually paid and if such Taxable Obligations were not purchased directly from the United States Treasury. The Issuer will acquire all such Taxable Obligations directly from the United States Treasury or in an arm's length transaction without regard to any amounts paid to reduce the yield on such Taxable Obligations. The Issuer will not pay or permit the payment of any amounts (other than to the United States) to reduce the yield on any Taxable Obligations. Obligations pledged to the payment of debt service on the Bonds, or deposited into any reserve fund after they have been acquired by the Issuer will be treated as though they were acquired for their fair market value on the date of such pledge or deposit. Obligations on deposit in any reserve fund on the Closing Date shall be treated as if acquired for their fair market value on the Closing Date.

- (b) Qualified guarantees have not been used in computing yield.

(c) The Bond Yield of the Notes is variable and, as such, no calculation of the yield on the Notes may be made as of the date hereof. For purposes of computing the yield on the Notes, the first yield period shall begin on the Closing Date and end on the first Computation Date. Each succeeding yield period shall begin on the day immediately following the Computation Date and end on the next succeeding Computation Date.

Section 2.8 Reimbursement Bonds

(a) Not later than 60 days after payment of Original Expenditures, the Issuer has adopted an Official Intent and has declared its intention to make a Reimbursement Allocation of Original Expenditures incurred in connection with Project Segment(s) from proceeds of the Reimbursement Bonds.

(b) The Reimbursement Allocation will occur on or before the later of (i) eighteen months after the Original Expenditures are paid or (ii) eighteen months after the first Project Segment is placed in service, but in no event more than three years after the Original Expenditures are paid.

(c) No other Reimbursement Allocation will be made except for Preliminary Expenditures.

(d) The Reimbursement Allocation has not been undertaken to avoid, in whole or in part, arbitrage yield restrictions or arbitrage rebate requirements and will not employ an abusive arbitrage device under Regulation 1.148-10.

(e) Within one year of the Closing Date, the Reimbursement Allocation will not be used in a manner that results in the creation of replacement proceeds, as defined in Regulation 1.148-1.

(f) For purposes of Section 2.8, the following terms shall have the meanings set forth below:

(1) "Official Intent" means a declaration of intent described under Regulation 1.150-2 to reimburse Original Expenditures with the proceeds of the Bonds.

(2) "Original Expenditure" means an expenditure for a governmental purpose that is originally paid from a source other than the Reimbursement Bonds.

(3) "Preliminary Expenditures", as defined in Regulation 1.150-2(f)(2), means architectural, engineering, surveying, soil tests, Reimbursement Bond issuance costs, and similar costs incurred prior to commencement of construction, rehabilitation or acquisition of a Project Segment which do not exceed 20% of the Issue Price of the portion of the Bonds that finances the Project Segment for which they were incurred.

(4) "Project Segment" means the costs, described in an Official Intent of the Issuer, incurred prior to the Closing Date to acquire, construct, or improve land, buildings or equipment excluding current operating expenses but including costs of issuing the Reimbursement Bonds.

(5) "Reimbursement Allocation" means written evidence of the use of Reimbursement Bond proceeds to reimburse a fund of the Issuer for Original Expenditures paid or advanced prior to the Closing Date and incurred in connection with a Project Segment.

(6) "Reimbursement Bonds" means the portion of the Bonds which are allocated to reimburse the Original Expenditures paid prior to the Closing Date and incurred in connection with a Project Segment.]

ARTICLE III

REBATE

Section 3.1 Records

Sale Proceeds of the Bonds will be held and accounted for in the manner provided in the Resolution. The Issuer will maintain adequate records for funds created by the Resolution and

this Certificate including all deposits, withdrawals, transfers from, transfers to, investments, reinvestments, sales, purchases, redemptions, liquidations and use of money or obligations until six years after the Final Bond Retirement Date.

Section 3.2 Rebate Fund

(a) In the Resolution, the Issuer has covenanted to pay to the United States the Rebate Amount, an amount equal to the Excess Earnings on the Gross Proceeds Funds, if any, at the times and in the manner required or permitted and subject to stated special rules and allowable exceptions.

(b) The Issuer may establish a fund pursuant to the Resolution and this Certificate which is herein referred to as the Rebate Fund. The Issuer will invest and expend amounts on deposit in the Rebate Fund in accordance with this Certificate.

(c) Moneys in the Rebate Fund shall be held by the Issuer or its designee and, subject to Sections 3.4, 3.5 and 6.1 hereof, shall be held for future payment to the United States as contemplated under the provisions of this Certificate and shall not constitute part of the trust estate held for the benefit of the owners of the Bonds or the Issuer.

(d) The Issuer will pay to the United States from legally available money of the Issuer (whether or not such available money is on deposit in any fund or account related to the Bonds) any amount which is required to be paid to the United States.

Section 3.3 Exceptions to Rebate

The Issuer reasonably expects that the Bonds are eligible for one or more exceptions from the arbitrage rebate rules set forth in the Regulations. If any Proceeds are ineligible, or become ineligible, for an exception to the arbitrage rebate rules, the Issuer will comply with the provisions of this Article III. A description of the applicable rebate exception(s) is as follows:

- Election to Treat as Construction Bonds.

The Issuer reasonably expects that more than 75 percent of the "available construction proceeds" ("ACP") of the Bonds, as defined in Section 148(f)(4)(C)(vi) of the Code, will be used for construction expenditures. ACP includes the issue price of the issue plus the earnings on such issue. Not less than the following percentages of the ACP will be spent within the following periods:

- 1) 10 percent spent within six months of the Closing Date;
- 2) 45 percent spent within one year of the Closing Date;
- 3) 75 percent spent within eighteen months of the Closing Date;
- 4) 100 percent spent within two years of the Closing Date (subject to 5 percent retainage for not more than one year).

In any event, the Issuer expects that the 5% reasonable retainage will be spent within a three-year period beginning on the Closing Date. A failure to spend an amount that does not exceed the lesser of (i) 3% of the issue price or (ii) \$250,000, is disregarded if the Issuer exercises due diligence to complete the Project.

- Election with respect to future earnings

Pursuant to Section 1.148-7(h)(i)(3) of the Regulations, the Issuer shall calculate the amount of future earnings to be used in determining compliance with the first three spending periods based on its reasonable expectations that the average annual interest rate on investments of the ACP will be not more than 6%. Compliance with the final spending period shall be calculated using actual earnings.

If the Issuer fails to meet the foregoing expenditure schedule, the Issuer shall comply with the arbitrage rebate requirements of the Code.

Section 3.4 Calculation of Rebate Amount

(a) As soon after each Computation Date as practicable, the Issuer shall, if necessary, calculate and determine the Excess Earnings on the Gross Proceeds Funds (the "Rebate Amount"). All calculations and determinations with respect to the Rebate Amount will be made on the basis of actual facts as of the Computation Date and reasonable expectations as to future events.

(b) If the Rebate Amount exceeds the amount currently on deposit in the Rebate Fund, the Issuer may deposit an amount in the Rebate Fund such that the balance in the Rebate Fund after such deposit equals the Rebate Amount. If the amount in the Rebate Fund exceeds the Rebate Amount, the Issuer may withdraw such excess amount provided that such withdrawal can be made from amounts originally transferred to the Rebate Fund and not from earnings thereon, which may not be transferred, and only if such withdrawal may be made without liquidating investments at a loss.

Section 3.5 Rebate Requirements and the Bond Fund

It is expected that the Bond Fund described in the Resolution and Section 2.6(c) of this Certificate will be treated as a bona fide debt service fund as defined in Regulation 1.148-1(b). As such, any amount earned during a Bond Year on the Bond Fund and amounts earned on such amounts, if allocated to the Bond Fund, will not be taken into account in calculating the Rebate Amount for the reasons outlined in Section 2.6(c) hereof. However, should the Bond Fund cease to be treated as a bona fide debt service fund, the Bond Fund will become subject to the rebate requirements set forth in Section 3.4 hereof.

Section 3.6 Investment of the Rebate Fund

(a) Immediately upon a transfer to the Rebate Fund, the Issuer may invest all amounts in the Rebate Fund not already invested and held in the Rebate Fund, to the extent possible, in (1) SLGS, such investments to be made at a yield of not more than one-eighth of one percent above the Bond Yield, (2) Tax Exempt Obligations, (3) direct

obligations of the United States or (4) certificates of deposit of any bank or savings and loan association. All investments in the Rebate Fund shall be made to mature not later than the next Rebate Payment Date.

(b) If the Issuer invests in SLGS, the Issuer shall file timely subscription forms for such securities (if required). To the extent possible, amounts received from maturing SLGS shall be reinvested immediately in zero yield SLGS maturing on or before the next Rebate Payment Date.

Section 3.7 Payment to the United States

(a) On each Rebate Payment Date, the Issuer will pay to the United States at least ninety percent (90%) of the Rebate Amount less a computation credit of \$1,000 per Bond Year for which the payment is made.

(b) The Issuer will pay to the United States not later than sixty (60) days after the Final Bond Retirement Date all the rebatable arbitrage as of such date and any income attributable to such rebatable arbitrage as described in Regulation 1.148-3(f)(2).

(c) If necessary, on each Rebate Payment Date, the Issuer will mail a check to the Internal Revenue Service Center, Ogden, UT 84201. Each payment shall be accompanied by a copy of Form 8038-T, Arbitrage Rebate, filed with respect to the Bonds or other information reporting form as is required to comply with the Code and applicable Regulations.

Section 3.8 Records

(a) The Issuer will keep and retain adequate records with respect to the Bonds, the Gross Proceeds Funds, the Bond Fund, and the Rebate Fund until six years after the Final Bond Retirement Date. Such records shall include descriptions of all calculations of amounts transferred to the Rebate Fund, if any, and descriptions of all calculations of amounts paid to the United States as required by this Certificate. Such records will also show all amounts earned on moneys invested in such funds, and the actual dates and amounts of all principal, interest and redemption premiums (if any) paid on the Bonds.

(b) Records relating to the investments in such Funds shall completely describe all transfers, deposits, disbursements and earnings including:

(1) a complete list of all investments and reinvestments of amounts in each such Fund including, if applicable, purchase price, purchase date, type of security, accrued interest paid, interest rate, dated date, principal amount, date of maturity, interest payment dates, date of liquidation, receipt upon liquidation, market value of such investment on the Final Bond Retirement Date if held by the Issuer on the Final Bond Retirement Date, and market value of the investment on the date pledged to the payment of the Bonds or the Closing Date if different from the purchase date.

(2) the amount and source of each payment to, and the amount, purpose and payee of each payment from, each such Fund.

Section 3.9 Additional Payments

The Issuer hereby agrees to pay to the United States from legally available money of the Issuer (whether or not such available money is on deposit in any fund or account related to the Bonds) any amount which is required to be paid to the United States, but which is not available in a fund related to the Bonds for transfer to the Rebate Fund or payment to the United States.

ARTICLE IV

INVESTMENT RESTRICTIONS

Section 4.1 Avoidance of Prohibited Payments

The Issuer will not enter into any transaction that reduces the amount required to be deposited into the Rebate Fund or paid to the United States because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Bond Yield not been relevant to either party. The Issuer will not invest or direct the investment of any funds in a manner which reduces an amount required to be paid to the United States because such transaction results in a small profit or larger loss than would have resulted if the transaction had been at arm's length and had the Bond Yield not been relevant to the Issuer. In particular, notwithstanding anything to the contrary contained herein or in the Resolution, the Issuer will not invest or direct the investment of any funds in a manner which would violate any provision of this Article IV.

Section 4.2 Market Price Requirement

(a) The Issuer will not purchase or direct the purchase of Taxable Obligations for more than the then available market price for such Taxable Obligations. The Issuer will not sell, liquidate or direct the sale or liquidation of Taxable Obligations for less than the then available market price.

(b) For purposes of this Certificate, United States Treasury obligations purchased directly from the United States Treasury will be deemed to be purchased at the market price.

Section 4.3 Investment in Certificates of Deposit

(a) Notwithstanding anything to the contrary contained herein or in the Resolution, the Issuer will invest or direct the investment of funds on deposit in the Reserve Fund, any other Gross Proceeds Fund, the Bond Fund, and the Rebate Fund, in a certificate of deposit of a bank or savings bank which is permitted by law and by the Resolution only if the purchase price of such a certificate of deposit is treated as its fair market value on the purchase date and if the yield on the certificate of deposit is not less than (1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(b) The certificate of deposit described in paragraph 4.3(a) above must be executed by a dealer who maintains an active secondary market in comparable certificates of deposit and must be based on actual trades adjusted to reflect the size and term of that certificate of deposit and the stability and reputation of the bank or savings bank issuing the certificate of deposit.

Section 4.4 Investment Pursuant to Investment Contracts and Agreements

The Issuer will invest or direct the investment of funds on deposit in the Gross Proceeds Funds, the Bond Fund, and the Rebate Fund pursuant to an investment contract (including a repurchase agreement) only if all of the following requirements are satisfied:

(a) The Issuer makes a bona fide solicitation for the purchase of the investment. A bona fide solicitation is a solicitation that satisfies all of the following requirements:

(1) The bid specifications are in writing and are timely forwarded to potential providers.

(2) The bid specifications include all material terms of the bid. A term is material if it may directly or indirectly affect the yield or the cost of the investment.

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the issuer or any other person for purposes of satisfying the requirements of paragraph (d)(6)(iii)(B)(1) or (2) of Section 1.148-5 of the Regulations.

(4) The terms of the bid specifications are commercially reasonable. A term is commercially reasonable if there is a legitimate business purpose for the term other than to increase the purchase price or reduce the yield of the investment.

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Issuer's reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) All potential providers have an equal opportunity to bid and no potential provider is given the opportunity to review other bids (i.e., a last look) before providing a bid.

(7) At least three reasonably competitive providers are solicited for bids. A reasonably competitive provider is a provider that has an established industry reputation as a competitive provider of the type of investments being purchased.

(b) The bids received by the Issuer meet all of the following requirements:

(1) The Issuer receives at least three bids from providers that the Issuer solicited under a bona fide solicitation meeting the requirements of paragraph (d)(6)(iii)(A) of Section 1.148-5 of the Regulations and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(2) At least one of the three bids described in paragraph (d)(6)(iii)(B)(1) of Section 1.148-5 of the Regulations is from a reasonably competitive provider, within the meaning of paragraph (d)(6)(iii)(A)(7) of Section 1.148-5 of the Regulations.

(3) If the Issuer uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(c) The winning bid meets the following requirements:

(1) Guaranteed investment contracts. If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) Other investments. If the investment is not a guaranteed investment contract, the winning bid is the lowest cost bona fide bid (including any broker's fees).

(d) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay, if any) to third parties in connection with supplying the investment.

(e) The Issuer will retain the following records with the bond documents until three years after the last outstanding bond is redeemed:

(1) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of investments other than guaranteed investment contracts, the purchase agreement or confirmation.

(2) The receipt or other record of the amount actually paid by the Issuer for the investments, including a record of any administrative costs paid by the Issuer, and the certification under paragraph (d)(6)(iii)(D) of Section 1.148-5 of the Regulations.

(3) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results.

(4) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

(5) For purchases of investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted pursuant to the terms of the bid specifications.

Section 4.5 Records

The Issuer will maintain records of all purchases, sales, liquidations, investments, reinvestments, redemptions, disbursements, deposits, and transfers of amounts on deposit.

Section 4.6 Investments to be Legal

All investments required to be made pursuant to this Certificate shall be made to the extent permitted by law. In the event that any such investment is determined to be ultra vires, it shall be liquidated and the proceeds thereof shall be invested in a legal investment, provided that prior to reinvesting such proceeds, the Issuer shall obtain an opinion of Bond Counsel to the effect that such reinvestment will not cause the Bonds to become arbitrage bonds under Sections 103, 148, 149, or any other applicable provision of the Code.

ARTICLE V

GENERAL COVENANTS

The Issuer hereby covenants to perform all acts within its power necessary to ensure that the reasonable expectations set forth in Article II hereof will be realized. The Issuer reasonably expects to comply with all covenants contained in this Certificate.

ARTICLE VI

AMENDMENTS AND ADDITIONAL AGREEMENTS

Section 6.1 Opinion of Bond Counsel; Amendments

The various provisions of this Certificate need not be observed and this Certificate may be amended or supplemented at any time by the Issuer if the Issuer receives an opinion or

opinions of Bond Counsel that the failure to comply with such provisions will not cause any of the Bonds to become "arbitrage bonds" under the Code and that the terms of such amendment or supplement will not cause any of the Bonds to become "arbitrage bonds" under the Code, or otherwise cause interest on any of the Bonds to become includable in gross income for federal income tax purposes.

Section 6.2 Additional Covenants, Agreements

The Issuer hereby covenants to make, execute and enter into (and to take such actions, if any, as may be necessary to enable it to do so) such agreements as may be necessary to comply with any changes in law or regulations in order to preserve the tax-exempt status of the Bonds to the extent that it may lawfully do so. The Issuer further covenants (1) to impose such limitations on the investment or use of moneys or investments related to the Bonds, (2) to make such payments to the United States Treasury, (3) to maintain such records, (4) to perform such calculations, and (5) to perform such other lawful acts as may be necessary to preserve the tax-exempt status of the Bonds.

Section 6.3 Internal Revenue Service Audits

The Internal Revenue Service has not audited the Issuer regarding any obligations issued by or on behalf of the Issuer. To the best knowledge of the Issuer, no such obligations of the Issuer are currently under examination by the Internal Revenue Service.

Section 6.4 Amendments

Except as otherwise provided in Section 6.1 hereof, all the rights, powers, duties and obligations of the Issuer shall be irrevocable and binding upon the Issuer and shall not be subject to amendment or modification by the Issuer.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be executed by its duly authorized officer, all as of the day first above written.

Finance Director, City of Pella, State of Iowa

(SEAL)

EXHIBIT "A"

CITY OF PELLA, IOWA
\$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES,
SERIES 2020A

CERTIFICATE OF THE PURCHASER

The undersigned, on behalf of Bank Iowa (the "Purchaser"), hereby certifies as set forth below with respect to the purchase of the above-captioned obligations (the "Bonds").

1. ***Purchase of the Bonds.*** On the date of this certificate, the Purchaser is purchasing the Bonds for the amount of \$4,326,000. The Purchaser is not acting as an Underwriter with respect to the Bonds. The Purchaser has no present intention to sell, reoffer, or otherwise dispose of the Bonds (or any portion of the Bonds or any interest in the Bonds). The Purchaser has not contracted with any person pursuant to a written agreement to have such person participate in the initial sale of the Bonds and the Purchaser has not agreed with the Issuer pursuant to a written agreement to sell the Bonds to persons other than the Purchaser or a related party to the Purchaser.

2. ***Defined Terms.***

a) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

b) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Ahlers & Cooney, P.C. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

BANK IOWA, as Purchaser

By: _____

Name: _____

Dated: MAY 28, 2020

EXHIBIT "B"

CONSTRUCTION ISSUE CERTIFICATION

I, the undersigned, do hereby certify that I am the Finance Director of The City of Pella, Iowa. I acknowledge that this Certificate is given as the basis for certain representations made in the Tax Exemption Certificate delivered by the City of Pella, State of Iowa (the "Issuer"), as of the date hereof, in connection with the issuance of \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020A, of the Issuer (the "Bonds").

The Issuer has elected to satisfy the requirements of Code Section 148(f)(4)(C)(iv)(I) based upon its reasonable expectations that more than 75% of the "available construction proceeds" of the Bonds, as defined in Section 148(f)(4)(C)(vi) of the Code, are to be used for construction expenditures with respect to property to be owned by the Issuer as a governmental unit.

Construction expenditures means capital expenditures, as defined in Regulation 1.150-1(b), that, on or before the date the property financed by the expenditures is placed in service, as defined in Regulation 1.150-2(c), will be properly chargeable to or may be capitalized as part of the basis of (1) real property, other than expenditures for the acquisition of any interest in land or real property other than land, (2) constructed personal property as defined in Regulation 1.148-7(g)(3), or (3) specially developed computer software as defined in Regulation 1.148-7(g)(4), that is functionally related and subordinate to real property or constructed personal property.

As of the date of issue of the Bonds, it is my opinion that at least 75% of the available construction proceeds of the Issue will be used for construction expenditures as defined above.

IN WITNESS WHEREOF, I hereunto affix my official signature this 28th day of May, 2020.

City of Pella, Iowa

By: _____

Title: Finance Director



THE
CITY of PELLA

STAFF MEMO TO COUNCIL

ITEM NO: C-2-a & C-2-b

SUBJECT: Resolution Approving and Authorizing a form of Loan Agreement and Authorizing and Providing for the Issuance and Securing the Payment of \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020G and Providing a method of Payment of the Notes

DATE: May 12, 2020

BACKGROUND:

The proposed resolution approves and authorizes a loan agreement for \$4,326,000 of Communication Utility Revenue Loan Notes for the City's municipal telecommunications utility, known as Pella Fiber. These notes will be utilized to cover one half of the capital costs associated with the utility, while Capital Loan Notes 2020A will be used pay for the other half of improvements.

Uses of Funds

Over the past several years the City made material efforts to plan for the implementation of the new utility. As part of the process the City has worked with engineers, legal counsel and financial advisors to develop a plan for implementation. In doing so, the following capital costs were identified:

	Total	Series A	Series G
Construction & Equipment	\$ 7,868,185.00	3,934,093	3,934,093
Capitalized Interest	278,558	139,279	139,279
Issuance Costs/Rounding	205,257	102,629	102,629
Contingency	300,000	150,000	150,000
Non Project Total	\$ 783,815	391,908	391,908
Total Costs	\$ 8,652,000	4,326,000	4,326,000

Key Terms

The City's financial advisor has worked diligently with local and regional lenders who had interest in supporting such an important community project. Cedar Rapids Bank and Trust has stepped forward in support of Series G, while Bank Iowa will be supporting Series A. In doing so the City was able to realize competitive interest rate and financing terms, particularly given the current economic conditions and the infancy of the utility. The following are some of the key terms included in the agreement:

Total amount:	Up to \$4,326,000
Interest rate:	3.375% fixed for 7 years; resetting on June 1, 2027
Closing date:	May 28, 2020
Maturity date:	June 1, 2035

In addition to the key terms listed above, it's also important to note that the loan will operate on a draw-down method, which means as expenses are incurred, they will be submitted to the lender for reimbursement. In the event less than the full amount is advanced to the City, the annual principal payments will be adjusted through the end of life of issuance. Additionally, the loan is callable at any time without penalty.

As noted above, the interest rate on the proposed issuance is 3.375% and resets after seven years. In June of 2027, the interest rate will reset to the average of the five-year daily treasury yield curve rate plus 2.55%. The agreement also limits the minimum interest rate to 3.375% and maximum rate to 7%. The loan includes capitalized interest through December 1, 2021 with the first principal payment occurring on June 1, 2024.

The agreement also requires certain security pledges which are customary for municipal utility borrowing. For both Series 2020A and Series 2020G, the security pledge includes net revenue requirements for the utility. Specifically, the pledge requires a rate maintenance coverage of 110% by June 30, 2023. This means the utility must set rates that generate \$1.10 of net revenue for every \$1.00 of debt service. Additionally, for the City to issue any future debt, the utility must be able to meet the coverage requirement of both the current and the proposed debt issuance.

Annual Payments

As noted above, in order to minimize the immediate financial impact of the annual debt service payments on the operations of the utility, the loan agreement capitalizes the interest through December 1, 2021. Additionally, the repayment schedule does not include an initial principal payment until June 1, 2024, at which time the annual principal payments will increase gradually through June 1, 2026, stabilizing thereafter. Once full principal and interest payments begin, assuming the utility draws the full loan amount, the annual debt service payments are anticipated to amount to approximately \$980,000 per year.

There are two items listed on the agenda for consideration related to this item:

1. Agenda item C-2-a: Approve form of Tax Exemption Certificate
The Tax Exemption Certificate sets out in detail a number of facts, promises, and obligations which must be met and agreed to by the City in order to maintain these Notes as tax exempt. These requirements primarily include arbitrage requirements for the bond proceeds and restrictions for private duty use. It is important to note, staff has reviewed these requirements with bond counsel, and we are recommending approval.
2. Agenda item C-2-b: Resolution No. 6127
This resolution approves and authorizes the loan agreement as outlined within this memo.

Summary

In summary, the City Council has worked diligently over the past several years to prepare the City for the development of a telecommunications utility. Approving this resolution would provide the needed funds to support capital costs necessary to support the utility.

ATTACHMENTS: Resolution, Tax Exemption Certificate
REPORT PREPARED BY: Finance Director
REPORT REVIEWED BY: City Administrator, City Clerk
RECOMMENDATION: Approve resolution

Council Member _____ moved that the form of Tax Exemption Certificate be placed on file and approved. Council Member _____ seconded the motion and the roll being called thereon, the vote was as follows:

AYES: _____

NAYS: _____

Council Member _____ introduced the following Resolution entitled "A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020G, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES ", and moved its adoption. Council Member _____ seconded the motion to adopt. The roll was called and the vote was:

AYES: _____

NAYS: _____

Whereupon the Mayor declared the following Resolution duly adopted:

Resolution No. 6127

A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020G, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES

WHEREAS, the City Council of the City of Pella, State of Iowa, sometimes hereinafter referred to as the "Issuer", has heretofore established charges, rates and rentals for services which are and will continue to be collected as system revenues of the Municipal Communications Utility, sometimes hereinafter referred to as the "System", and the revenues have not been pledged and are available for the payment of Communications Utility Revenue Capital Loan Notes, Series 2020G, subject to the following premises; and

WHEREAS, Issuer proposes to issue its Communications Utility Revenue Capital Loan Notes, Series 2020G, to the extent of \$4,326,000, for the purpose of defraying the costs of the project as set forth in Section 3 of this Resolution; and, it is deemed necessary and advisable and in the best interests of the City that a form of Loan Agreement be approved and authorized; and

WHEREAS, the notice of intention of Issuer to take action for the issuance of \$4,326,000 Communications Utility Revenue Notes, Series 2020G, has heretofore been duly published and no objections to such proposed action have been filed:

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PELLA, IN THE COUNTY OF MARION, STATE OF IOWA:

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

- "Additional Obligations" shall mean any Communications Utility revenue notes or bonds issued on a parity with the Notes in accordance with the provisions of this Resolution.
- "Capitalized Interest Fund" shall mean the fund required to be established by this Resolution for the deposit of the portion of the proceeds of the Notes to be used for capitalized interest.
- "Clerk" shall mean the City Clerk, or such other officer of the successor Governing Body as shall be charged with substantially the same duties and responsibilities.
- "Fiscal Year" shall mean the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve-month period adopted by the Governing Body or by law as the official accounting period of the System. Requirements of a Fiscal Year as expressed in this Resolution shall exclude any payment of principal or interest falling due on the first day of the Fiscal Year and include any payment of principal or interest falling due on the first day of the succeeding Fiscal Year, except to the extent of any conflict with the terms of the Outstanding Bonds while the same remain outstanding.
- "Governing Body" shall mean the City Council of the City, or its successor in function with respect to the operation and control of the System.

- "Independent Auditor" shall mean an independent firm of Certified Public Accountants or the Auditor of State.
- "Issuer" and "City" shall mean the City of Pella, State of Iowa.
- "Lender" shall mean the Original Purchaser.
- "Loan Agreement" shall mean a Loan Agreement between the Issuer and a lender or lenders in substantially the form attached to and approved by this Resolution.
- "Net Revenues" shall mean gross earnings of the System after deduction of current expenses; "Current Expenses" shall mean and include the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including purchases at wholesale, if any, salaries, wages, and costs of materials and supplies but excluding depreciation and principal of and interest on the Notes and any Parity Obligations or payments to the various funds established herein; capital costs, depreciation and interest or principal payments are not System expenses.
- "Notes" shall mean \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020G, authorized to be issued by this Resolution.
- "Original Purchaser" shall mean the purchaser of the Notes from Issuer at the time of their original issuance.
- "Outstanding Obligations" shall mean the Communications Utility Revenue Capital Loan Notes, Series 2020A, dated May 28, 2020, and the Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B, dated May 28, 2020, each issued contemporaneously with the Notes in accordance with Resolutions adopted May 12, 2020, not to exceed \$ 4,326,000 and not to exceed \$1,800,000, respectively, of which obligations are outstanding and unpaid and remain a lien on the Net Revenues of the System. For the avoidance of doubt, the principal amount of the Series 2020A Notes and the Series 2020B Notes will be advanced on a draw down basis and the total principal amount advanced under the Series 2020A Notes and the Series 2020B Notes shall be outstanding obligations on parity with the total principal amount advanced under the Notes.
- "Parity Obligations" shall mean Communications Utility revenue notes, bonds or other obligations payable solely from the Net Revenues of the System on an equal basis with the Notes herein authorized to be issued, and shall include Additional Obligations as authorized to be issued under the terms of this Resolution and the Outstanding Obligations.
- "Paying Agent" shall mean the Director of Finance of Pella, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein as Issuer's agent to provide for the payment of principal of and interest on the Notes as the same shall become due.

- "Project Fund" shall mean the fund required to be established by this Resolution for the deposit of the proceeds of the Notes.
- "Registrar" shall mean the Director of Finance of Pella, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein with respect to maintaining a register of the owners of the Notes. Unless otherwise specified, the Registrar shall also act as Transfer Agent for the Notes.
- "Resolution" shall mean this resolution authorizing the issuance of the Notes.
- "System" shall mean the Municipal Communications Utility of the Issuer and all properties of every nature hereinafter owned by the Issuer comprising part of or used as a part of the System, including all improvements and extensions made by Issuer while any of the Notes or Parity Obligations remain outstanding; all real and personal property; and all appurtenances, contracts, leases, franchises and other intangibles.
- "Tax Exemption Certificate" shall mean the Tax Exemption Certificate executed by the Treasurer and delivered at the time of issuance and delivery of the Notes.
- "Treasurer" shall mean the Director of Finance or such other officer as shall succeed to the same duties and responsibilities with respect to the recording and payment of the Notes issued hereunder.
- "Yield Restricted" shall mean required to be invested at a yield that is not materially higher than the yield on the Notes under section 148 (a) of the Internal Revenue Code or regulations issued thereunder.

Section 2. Authority. The Loan Agreement and the Notes authorized by this Resolution shall be issued pursuant to Sections 384.24A and 384.83, of the City Code of Iowa, and in compliance with all applicable provisions of the Constitution and laws of the State of Iowa. The Loan Agreement shall be substantially in the form attached to this Resolution and is authorized to be executed and issued on behalf of the Issuer by the Mayor and attested by the City Clerk.

The Mayor and the Clerk are authorized and directed to execute and deliver all other documents which may be required under the terms of the Loan Agreement, or by bond counsel, and to take any other action as may be required or deemed appropriate for the performance of the duties imposed thereby to carry out the purposes thereof.

Section 3. Authorization and Purpose. There are hereby authorized to be issued, negotiable, serial, fully registered Communications Utility Revenue Capital Loan Notes of the City of Pella, in the County of Marion, State of Iowa, in the aggregate amount of \$4,326,000, for the purpose of paying costs of improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital setup boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building,

and other miscellaneous improvements, extensions and equipment purchases to benefit the utility.

Section 4. Source of Payment. The Notes herein authorized and Parity Obligations and the interest thereon shall be payable solely and only out of the net earnings of the System and shall be a first lien on the future Net Revenues of the System. The Notes shall not be general obligations of the Issuer nor shall they be payable in any manner by taxation and the Issuer shall be in no manner liable by reason of the failure of the net revenues to be sufficient for the payment of the Notes.

Section 5. Note Details. Communications Utility Revenue Capital Loan Notes, Series 2020G, of the City in the amount of \$4,326,000, shall be issued to evidence the obligations of the Issuer under the Loan Agreement pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa for the aforesaid purpose. The Notes shall be designated "\$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020G", be dated May 28, 2020, and bear interest from the date of each advance thereunder, until payment thereof, at the office of the Paying Agent, such interest payable on December 1, 2020, and semiannually thereafter on the 1st day of June and December in each year until maturity at the rates hereinafter provided. The Notes shall be initially issued as a single note payable to the Lender.

The Notes shall be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the Clerk, and impressed or printed with the seal of the City and shall be fully registered as to both principal and interest as provided in this Resolution; principal, interest and premium, if any, shall be payable at the office of the Paying Agent by mailing of a check to the registered owner of the Note. The Notes shall be in the denomination of \$100,000 or integral multiples of \$1,000 in excess thereof.

The Lender will make advances under the Notes upon the request of the Issuer to pay or reimburse the Issuer for payment of Project costs, costs of issuance and capitalized interest. Interest through December 1, 2021, may be capitalized through advances under the Note. There shall be an initial advance at the time of closing, on the Note Date of the Notes, in an amount no less than \$50,001 or the costs of issuance, whichever is greater. The Issuer may request advances monthly or as otherwise allowed by Lender.

Advances of principal in an amount not exceeding \$4,326,000 may be made under the Notes from time to time in accordance with this Resolution beginning on the Note Date and continuing through May 15, 2023 (the "Draw Period"). The amount and date of each advance shall be noted by the Lender on a schedule attached to the Notes or in the internal records of Lender.

The Notes shall mature and bear interest as follows:

Term Note #1

Principal Amount*	Interest Rate	Maturity June 1st
\$50,000	3.375%	2024
\$175,000	3.375%	2025
\$352,000	3.375%	2026
\$363,000	3.375%	2027
\$376,000	**	2028
\$388,000	**	2029
\$401,000	**	2030
\$415,000	**	2031
\$429,000	**	2032
\$444,000	**	2033
\$458,000	**	2034
\$475,000	**	2035***

* If less than \$4,326,000 is advanced under the Notes, the annual principal payments shall be prorated at the end of the Draw Period (May 15, 2023) to reflect the total amount advanced under the Notes. For example, if \$4,200,000 is advanced under the Notes, the June 1, 2024 maturity shall be \$48,543.69, which equals \$50,000 x (\$4,200,000/\$4,326,000).

** The interest rate will be 3.375% through June 1, 2027, at which time the rate will adjust to the CMT Rate (as defined herein) plus 2.55%, subject to a ceiling of 7.00% and a floor of 3.375%, as set forth herein (the “Adjusted Interest Rate”).

*** Final maturity.

On the final Maturity Date, all remaining outstanding principal of the Notes plus accrued interest thereon shall be immediately due and payable.

Interest Rate: The outstanding principal of the Notes shall bear interest at the initial rate (the “Initial Interest Rate”) of 3.375% per annum from the Note Date of the Notes until June 1, 2027. The Interest Rate on the Notes will be adjusted on June 1, 2027, (the “Interest Adjustment Date”), to a rate (the “Adjusted Interest Rate”) per annum determined by the Lender to be equal to the Average CMT Rate plus 2.55%; provided, however, that the Adjusted Interest Rate shall be subject to a ceiling of 7.00% and a floor of the Initial Interest Rate. The “Average CMT Rate” means the average of the 5-year Daily Treasury Yield Curve Rate (commonly referred to as “Constant Maturity Treasury” rates, or CMT rates) and the 7-year Daily Treasury Yield Curve Rate, each as reported at www.treasury.gov on the Interest Adjustment Date, or on the last business date preceding the Interest Adjustment Date if the Interest Adjustment Date is not a business date. In the Event that the Average CMT Rate cannot be ascertained by the Lender due to changes in reports, publications, market conditions or regulatory requirements, then the Lender shall select a substitute rate or index that is reasonably equivalent to the Average CMT Rate and published in the Wall Street Journal.

Section 6. Redemption. The Notes may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Section 7. Registration of Notes; Appointment of Registrar; Transfer; Ownership; Delivery; and Cancellation.

(a) Registration. The ownership of Notes may be transferred only by the making of an entry upon the books kept for the registration and transfer of ownership of the Notes, and in no other way. The Director of Finance is hereby appointed as Note Registrar under the terms of this Resolution. Registrar shall maintain the books of the Issuer for the registration of ownership of the Notes for the payment of principal of and interest on the Notes as provided in this Resolution. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code subject to the provisions for registration and transfer contained in the Notes and in this Resolution.

(b) Transfer. The ownership of any Note may be transferred only upon the Registration Books kept for the registration and transfer of Notes and only upon surrender thereof at the office of the Registrar together with an assignment duly executed by the holder or his duly authorized attorney in fact in such form as shall be satisfactory to the Registrar, along with the address and social security number or federal employer identification number of such transferee (or, if registration is to be made in the name of multiple individuals, of all such transferees). In the event that the address of the registered owner of a Note (other than a registered owner which is the nominee of the broker or dealer in question) is that of a broker or dealer, there must be disclosed on the Registration Books the information pertaining to the registered owner required above. Upon the transfer of any such Note, a new fully registered Note, of any denomination or denominations permitted by this Resolution in aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Note, and bearing interest at the same rate and maturing on the same date or dates shall be delivered by the Registrar.

(c) Registration of Transferred Notes. In all cases of the transfer of the Notes, the Registrar shall register, at the earliest practicable time, on the Registration Books, the Notes, in accordance with the provisions of this Resolution.

(d) Ownership. As to any Note, the person in whose name the ownership of the same shall be registered on the Registration Books of the Registrar shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of

the principal of any such Notes and the premium, if any, and interest thereon shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note, including the interest thereon, to the extent of the sum or sums so paid.

(e) Cancellation. All Notes which have been redeemed shall not be reissued but shall be cancelled by the Registrar. All Notes which are cancelled by the Registrar shall be destroyed and a Certificate of the destruction thereof shall be furnished promptly to the Issuer; provided that if the Issuer shall so direct, the Registrar shall forward the cancelled Notes to the Issuer.

(f) Non-Presentation of Notes. In the event any payment check, wire, or electronic transfer of funds representing payment of principal of or interest on the Notes is returned to the Paying Agent or if any note is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such principal of or interest on Notes shall have been made available to the Paying Agent for the benefit of the owner thereof, all liability of the Issuer to the owner thereof for such interest or payment of such Notes shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the owner of such Notes who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Resolution or on, or with respect to, such interest or Notes. The Paying Agent's obligation to hold such funds shall continue for a period equal to two years and six months following the date on which such interest or principal became due, whether at maturity, or at the date fixed for redemption thereof, or otherwise, at which time the Paying Agent shall surrender any remaining funds so held to the Issuer, whereupon any claim under this Resolution by the Owners of such interest or Notes of whatever nature shall be made upon the Issuer.

(g) Registration and Transfer Fees. The Registrar may furnish to each owner, at the Issuer's expense, one note for each annual maturity. The Registrar shall furnish additional Notes in lesser denominations (but not less than the minimum denomination) to an owner who so requests.

Section 8. Reissuance of Mutilated, Destroyed, Stolen or Lost Notes. In case any outstanding Note shall become mutilated or be destroyed, stolen or lost, the Issuer shall at the request of Registrar authenticate and deliver a new Note of like tenor and amount as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note to Registrar, upon surrender of such mutilated Note, or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar and Issuer that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and Issuer with satisfactory indemnity and complying with such other reasonable regulations as the Issuer or its agent may prescribe and paying such expenses as the Issuer may incur in connection therewith.

Section 9. Record Date. Payments of principal and interest, otherwise than upon full redemption, made in respect of any Notes, shall be made to the registered holder thereof or to their designated Agent as the same appear on the books of the Registrar on the 15th day of the month preceding the payment date. All such payments shall fully discharge the obligations of the Issuer in respect of such Notes to the extent of the payments so made. Payment of principal shall only be made upon surrender of the Notes to the Paying Agent.

Section 10. Execution, Authentication and Delivery of the Notes. Upon the adoption of this Resolution, the Mayor and Clerk shall execute and deliver the Notes to the Registrar, who shall authenticate the Notes and deliver the same to or upon order of the Original Purchaser. No Note shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Registrar shall duly endorse and execute on such Note a Certificate of Authentication substantially in the form of the Certificate herein set forth. Such Certificate upon any Note executed on behalf of the Issuer shall be conclusive evidence that the Note so authenticated has been duly issued under this Resolution and that the holder thereof is entitled to the benefits of this Resolution.

Section 11. Right to Name Substitute Paying Agent or Registrar. Issuer reserves the right to name a substitute, successor Registrar or Paying Agent upon giving prompt written notice to each registered Noteholder.

Section 12. Form of Note. Notes shall be printed in substantial compliance with standards proposed by the American Standards Institute substantially in the form as follows:

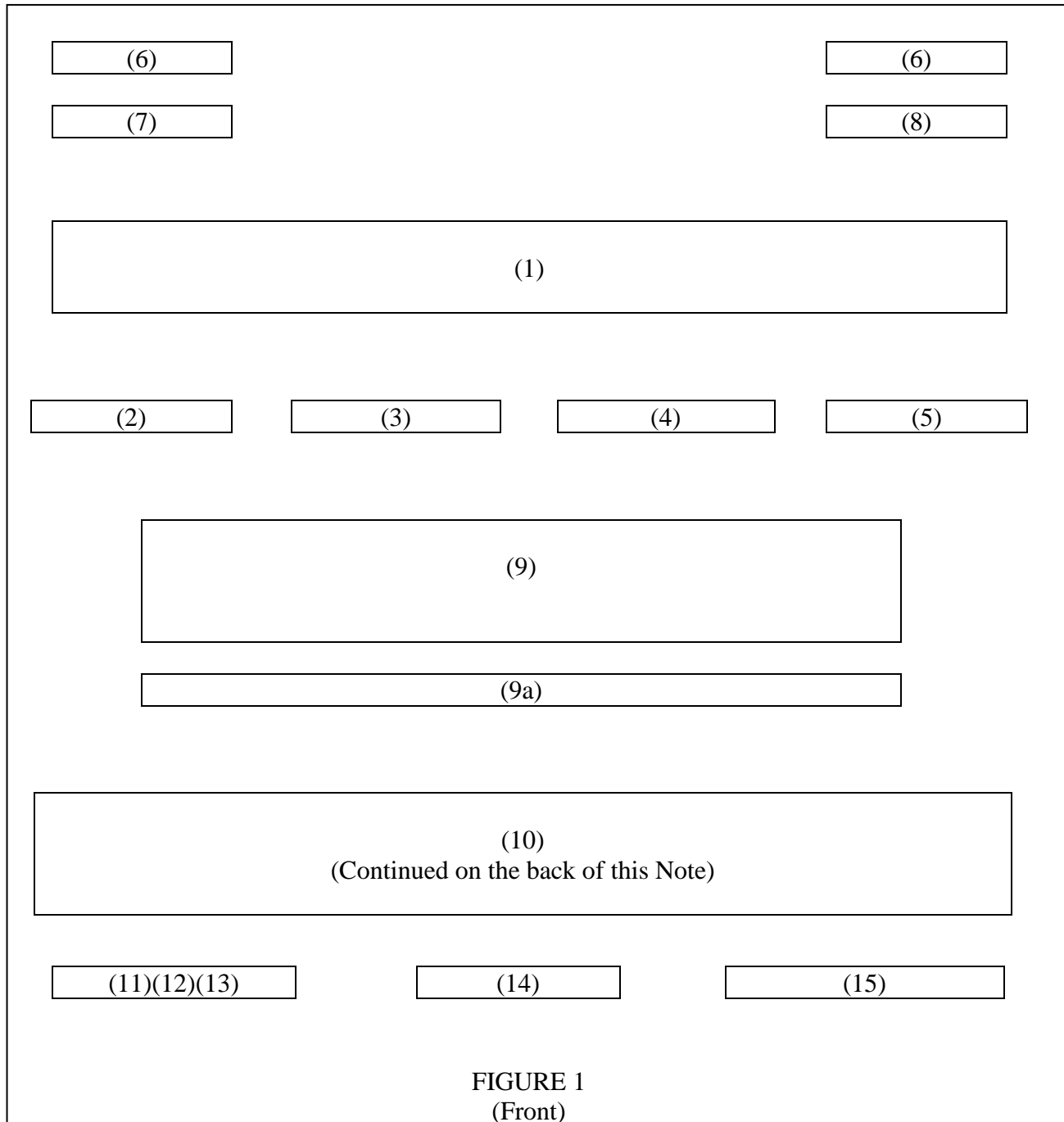


FIGURE 1
(Front)

<p>(10) (Continued)</p>		<p>(16)</p>
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FIGURE 2
(Back)

The text of the Notes to be located thereon at the item numbers shown shall be as follows:

Item 1, figure 1= "STATE OF IOWA"
"COUNTY OF MARION"
"CITY OF PELLA"
"MUNICIPAL COMMUNICATIONS UTILITY"
"COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN
NOTE"
"SERIES 2020G"

Item 2, figure 1 = Rate: Variable
Item 3, figure 1 = Maturity: June 1, 2035
Item 4, figure 1 = Note Date: May 28, 2020
Item 5, figure 1 = CUSIP No.: N/A
Item 6, figure 1 = "Registered"
Item 7, figure 1 = Note No. 1
Item 8, figure 1 = Principal Amount: \$4,326,000

Item 9, figure 1= The City of Pella, State of Iowa, a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of Iowa (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, on the maturity date indicated above, to

Item 9A, figure 1 = (Registration panel to be completed by Registrar or Printer with name of Registered Owner).

Item 10, figure 1 = or registered assigns, the principal sum of FOUR MILLION THREE HUNDRED TWENTY SIX THOUSAND DOLLARS in lawful money of the United States of America, on the maturity date shown above, only upon presentation and surrender hereof at the office of the Director of Finance, Paying Agent of this issue, or its successor, with interest on such sum from the date hereof until paid at the rate per annum specified above, payable on December 1, 2020, and semiannually thereafter on the 1st day of June and December in each year.

Interest and principal shall be paid to the registered holder of the Note as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

This Note is issued pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa, for the purpose of paying costs of improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital setup boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building, and other miscellaneous improvements, extensions and equipment purchases to benefit

the utility, and in order to evidence the obligations of the Issuer under a certain Loan Agreement, in conformity to a Resolution of the City Council of the City duly passed and approved. For a complete statement of the revenues and funds from which and the conditions under which this Note is payable, a statement of the conditions under which additional Notes or Bonds of equal standing may be issued, and the general covenants and provisions pursuant to which this Note is issued, reference is made to the above described Loan Agreement and Resolution.

The Note shall mature and bear interest as follows:

Term Note #1

Principal Amount*	Interest Rate	Maturity June 1st
\$50,000	3.375%	2024
\$175,000	3.375%	2025
\$352,000	3.375%	2026
\$363,000	3.375%	2027
\$376,000	**	2028
\$388,000	**	2029
\$401,000	**	2030
\$415,000	**	2031
\$429,000	**	2032
\$444,000	**	2033
\$458,000	**	2034
\$475,000	**	2035***

* If less than \$4,326,000 is advanced under the Notes, the annual principal payments shall be prorated at the end of the Draw Period (May 15, 2023) to reflect the total amount advanced under the Notes. For example, if \$4,200,000 is advanced under the Notes, the June 1, 2024 maturity shall be \$48,543.69, which equals $\$50,000 \times (\$4,200,000 / \$4,326,000)$.

** The interest rate will be 3.375% through June 1, 2027, at which time the rate will adjust to the CMT Rate (as defined herein) plus 2.55%, subject to a ceiling of 7.00% and a floor of 3.375%, as set forth herein (the “Adjusted Interest Rate”).

*** Final maturity.

On the final Maturity Date, all remaining outstanding principal of the Notes plus accrued interest thereon shall be immediately due and payable.

Interest Rate: The outstanding principal of the Notes shall bear interest at the initial rate (the “Initial Interest Rate”) of 3.375% per annum from the Note Date of the Notes until June 1, 2027. The Interest Rate on the Notes will be adjusted on June 1, 2027, (the “Interest Adjustment Date”), to a rate (the “Adjusted Interest Rate”) per annum determined by the Lender to be equal to the Average CMT Rate plus 2.55%; provided, however, that the Adjusted Interest Rate shall be subject to a ceiling of 7.00% and a floor of the Initial Interest Rate. The “Average CMT Rate” means the average of the 5-year Daily Treasury Yield Curve Rate (commonly referred to as

“Constant Maturity Treasury” rates, or CMT rates) and the 7-year Daily Treasury Yield Curve Rate, each as reported at www.treasury.gov on the Interest Adjustment Date, or on the last business date preceding the Interest Adjustment Date if the Interest Adjustment Date is not a business date. In the Event that the Average CMT Rate cannot be ascertained by the Lender due to changes in reports, publications, market conditions or regulatory requirements, then the Lender shall select a substitute rate or index that is reasonably equivalent to the Average CMT Rate and published in the Wall Street Journal.

The Notes may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Ownership of this Note may be transferred only by transfer upon the books kept for such purpose by the Director of Finance, the Registrar. Such transfer on the books shall occur only upon presentation and surrender of this Note at the office of the Registrar as designated below, together with an assignment duly executed by the owner hereof or his duly authorized attorney in the form as shall be satisfactory to the Registrar. Issuer reserves the right to substitute the Registrar and Paying Agent but shall, however, promptly give notice to registered Noteholders of such change. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code and subject to the provisions for registration and transfer contained in the Note Resolution.

This Note and the series of which it forms a part, other obligations ranking on a parity therewith, and any Additional Obligations which may be hereafter issued and outstanding from time to time on a parity with the Notes, as provided in the Note Resolution and Loan Agreement of which notice is hereby given and which are hereby made a part hereof, are payable from and secured by a pledge of the Net Revenues of the Municipal Communications Utility (the "System"), as defined and provided in the Resolution. There has heretofore been established and the City covenants and agrees that it will maintain just and equitable rates or charges for the use of and service rendered by the System in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and for the establishment of a sufficient sinking fund to meet the principal of and interest on this series of Notes, and other Obligations ranking on a parity therewith, as the same become due. This Note is not payable in any manner by taxation and under no circumstances shall the City be in any manner liable by reason of the failure of the Net Revenues to be sufficient for the payment hereof.

And it is hereby represented and certified that all acts, conditions and things requisite, according to the laws and Constitution of the State of Iowa, to exist, to be had, to be done, or to be performed precedent to the lawful issue of this Note, have been existent, had, done and performed as required by law.

IN TESTIMONY WHEREOF, the City by its City Council has caused this Note to be signed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its Clerk, with the seal of the City printed or impressed hereon, and authenticated by the manual signature of an authorized representative of the Registrar, the Director of Finance, Pella, Iowa.

- Item 11, figure 1 = Date of Authentication:
- Item 12, figure 1 = This is one of the Notes described in the within mentioned Resolution, as registered by the Director of Finance

DIRECTOR OF FINANCE, Registrar

By: _____
Authorized Signature

- Item 13, figure 1 = Registrar and Transfer Agent: Director of Finance
- Paying Agent: Director of Finance

SEE REVERSE FOR CERTAIN DEFINITIONS

- Item 14, figure 1 = (Seal)
- Item 15, figure 1 = (Signature Block)

CITY OF PELLA, STATE OF IOWA

By: _____ (manual or facsimile signature)
Mayor

ATTEST:

By: _____ (manual or facsimile signature)
City Clerk

- Item 17, figure 1 = (Assignment Block)
- (Information Required for Registration)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ (Social Security or Tax Identification No. _____) the within Note and does hereby irrevocably constitute and appoint _____ attorney in fact to transfer the said Note on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated this _____ day of _____, _____.

SIGNATURE)
GUARANTEED)

(Person(s) executing this Assignment sign(s) here)

IMPORTANT - READ CAREFULLY

The signature(s) to this Power must correspond with the name(s) as written upon the face of the Certificate(s) or Note(s) in every particular without alteration or enlargement or any change whatever. Signature guarantee must be provided in accordance with the prevailing standards and procedures of the Registrar and Transfer Agent. Such standards and procedures may require signature to be guaranteed by certain eligible guarantor institutions that participate in a recognized signature guarantee program.

INFORMATION REQUIRED FOR REGISTRATION OF TRANSFER

Name of Transferee(s) _____
Address of Transferee(s) _____
Social Security or Tax Identification _____
Number of Transferee(s) _____
Transferee is a(n):
Individual* _____ Corporation _____
Partnership _____ Trust _____

* If the Note is to be registered in the names of multiple individual owners, the names of all such owners and one address and social security number must be provided.

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with rights of survivorship and not as tenants in common
IA UNIF TRANS MIN ACT - Custodian
(Cust) (Minor)
Under Iowa Uniform Transfers to Minors Act.....
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE ABOVE LIST

Section 13. Equality of Lien. The timely payment of principal of and interest on the Notes and Parity Obligations shall be secured equally and ratably by the Net Revenues of the System without priority by reason of number or time of sale or delivery; and the revenues of the System are hereby irrevocably pledged to the timely payment of both principal and interest as the same become due.

Section 14. Application of Note Proceeds – Project Fund. Proceeds of the Notes shall be applied as follows:

- ◆ An amount equal to accrued interest shall be deposited in the Sinking Fund for application to the first payment of interest on the Notes.
- ◆ \$139,279 of the Proceeds of the Notes shall be deposited into the Capitalized Interest Fund of the Issuer to be applied toward interest on the Notes on the interest payment dates through and including December 1, 2021.
- ◆ The balance of the proceeds shall be deposited to the Project Fund and expended therefrom for the purposes of issuance.

The Project Fund and the Capitalized Interest Fund shall be invested in accordance with Section 18 of this Resolution. Earnings on investments of the Project Fund shall be deposited in and expended from the Project Fund. Any amounts on hand in the Project Fund shall be available for the payment of the principal of or interest on the Notes at any time that other funds of the System shall be insufficient to the purpose, in which event such funds shall be repaid to the Project Fund at the earliest opportunity. Any balance on hand in the Project Fund and not immediately required for its purposes may be invested not inconsistent with limitations provided by law, the Internal Revenue Code and this Resolution.

Section 15. User Rates. There has heretofore been established and published as required by law, just and equitable rates or charges for the use of the service rendered by the System. The rates or charges shall be paid by the owner of each and every lot, parcel of real estate, or building that is connected with and uses the System, by or through any part of the System or that in any way uses or is served by the System. So long as the Notes are outstanding and unpaid the rates or charges to consumers of services of the System shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and

for the payment of principal and interest on the Notes and Parity Notes and obligations as the same fall due, and to provide for the creation of reserves as hereinafter provided.

Any revenues paid and collected for the use of the System and its services by the Issuer or any department, agency or instrumentality of the Issuer shall be used and accounted for in the same manner as any other revenues derived from the operations of the System.

Section 16. Application of Revenues. From and after the delivery of any Notes, and as long as any of the Notes or Parity Obligations shall be outstanding and unpaid either as to principal or as to interest, or until all of the Notes and Parity Obligations then outstanding shall have been discharged and satisfied in the manner provided in this Resolution, the entire income and revenues of the System shall be deposited as collected in a fund to be known as the Communications Utility Revenue Fund (the "Revenue Fund"), and shall be disbursed only as follows:

(a) Operation and Maintenance Fund. Money in the Revenue Fund shall first be disbursed to make deposits into a separate and special fund to pay current expenses. The fund shall be known as the Communications Utility Revenue Operation and Maintenance Fund (the "Operation and Maintenance Fund"). There shall be deposited in the Operation and Maintenance Fund each month an amount sufficient to meet the current expenses of the month plus an amount equal to 1/12th of expenses payable on an annual basis such as insurance. After the first day of the month, further deposits may be made to this account from the Revenue Fund to the extent necessary to pay current expenses accrued and payable to the extent that funds are not available in the Surplus Fund.

(b) Sinking Fund. Money in the Revenue Fund shall next be disbursed to make deposits into a separate and special fund to pay the principal and interest requirements of the Fiscal Year on the Notes and Parity Obligations. The fund shall be known as the Communications Utility Revenue Note and Interest Sinking Fund (the "Sinking Fund"). The required amount to be deposited in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date on the then outstanding Notes and Parity Obligations, plus the equal monthly amount necessary to pay in full the installment of principal coming due on such Notes on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Notes and Parity Obligations as the same shall become due and payable.

(c) Subordinate Obligations. Money in the Revenue Fund may next be used to pay principal of and interest on (including reasonable reserves therefor) any other obligations which by their terms shall be payable from the revenues of the System, but subordinate to the Notes and Parity Obligations, and which have been issued for the purposes of extensions and improvements to the System or to retire the Notes or Parity

Obligations in advance of maturity, or to pay for extraordinary repairs or replacements to the System.

(d) Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month may be deposited in any of the funds created by this Resolution, to pay for extraordinary repairs or replacements to the System, or may be used to pay or redeem the Notes or Parity Obligations, any of them, or for any lawful purpose.

Money in the Revenue Fund shall be allotted and paid into the various funds and accounts hereinbefore referred to in the order in which the funds are listed, on a cumulative basis on the 10th day of each month, or on the next succeeding business day when the 10th shall not be a business day; and if in any month the money in the Revenue Fund shall be insufficient to deposit or transfer the required amount in any of the funds or accounts, the deficiency shall be made up in the following month or months after payments into all funds and accounts enjoying a prior claim to the revenues shall have been met in full. The provisions of this Section shall not be construed to require the Issuer to maintain separate bank accounts for the funds created by this Section; except the Sinking Fund and the Reserve Fund shall be maintained in a separate account but may be invested in conjunction with other funds of the City but designated as a trust fund on the books and records of the City.

Section 17. Outstanding Obligations. Nothing in this Resolution shall be construed to impair the rights vested in the Outstanding Obligations. The amounts herein required to be paid into the various funds named in this Resolution shall be inclusive of payments required in respect to the Outstanding Obligations. The provisions of the resolution or resolutions referred to in Section 1 of this Resolution and the provisions of this Resolution are to be construed wherever possible so that the same will not be in conflict. In the event such construction is not possible, the provisions of the resolution first adopted shall prevail until such time as the Notes authorized by the resolution have been paid in full or otherwise satisfied as therein provided at which time the provisions of this Resolution shall again prevail.

Section 18. Investments. All of the funds provided by this Resolution may be invested only in investments permitted by Chapter 12B, Code of Iowa, 2020, as amended, or deposited in financial institutions which are members of the Federal Deposit Insurance Corporation or its equivalent successor, and the deposits in which are insured thereby and all such deposits exceeding the maximum amount insured from time to time by FDIC or its equivalent successor in any one financial institution shall be continuously secured in compliance with Chapter 12C of the Code of Iowa, 2020, as amended, or otherwise by a valid pledge of direct obligations of the United States Government having an equivalent market value. All such interim investments shall mature before the date on which the moneys are required for the purposes for which the fund was created or otherwise as herein provided but in no event maturing in more than three years in the case of the Reserve Fund.

All income derived from such investments shall be deposited in the Revenue Fund and shall be regarded as revenues of the System. Investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective fund was created.

Section 19. Covenants Regarding the Operation of the System. The Issuer hereby covenants and agrees with each and every holder of the Notes and Parity Obligations:

(a) Maintenance and Efficiency. The Issuer will maintain the System in good condition and operate it in an efficient manner and at reasonable cost.

(b) Sufficiency of Rates. On or before the beginning of each Fiscal Year *commencing with Fiscal Year 2023* the Governing Body will adopt or continue in effect rates for all services rendered by the System determined to be sufficient to produce Net Revenues for the next succeeding Fiscal Year adequate to pay principal and interest requirements and create reserves as provided in this Resolution but not less than 110 percent of the principal and interest requirements of the Fiscal Year. No free use of the System by the Issuer or any department, agency or instrumentality of the Issuer shall be permitted except upon the determination of the Governing Body that the rates and charges otherwise in effect are sufficient to provide Net Revenues at least equal to the requirements of this subsection.

(c) Insurance. That the Issuer shall maintain insurance for the benefit of the Noteholders on the insurable portions of the System of a kind and in an amount which normally would be carried by private companies engaged in a similar kind of business. The proceeds of any insurance, except public liability insurance, shall be used to repair or replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in the Revenue Fund.

(d) Accounting and Audits. The Issuer will cause to be kept proper books and accounts adapted to the System and in accordance with generally accepted accounting practices, and will diligently act to cause the books and accounts to be audited annually and reported upon not later than 270 days after the end of each Fiscal Year by an Independent Auditor and will provide copies of the audit report to the holders of any of the Notes and Parity Obligations upon request. The holders of any of the Notes and Parity Obligations shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Issuer relating thereto.

(e) State Laws. The Issuer will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Iowa, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will segregate the revenues of the System and apply the revenues to the funds specified in this Resolution.

(f) Property. The Issuer will not sell, lease, mortgage or in any manner dispose of the System, or any capital part thereof, including any and all extensions and additions that may be made thereto, until satisfaction and discharge of all of the Notes and Parity Obligations shall have been provided for in the manner provided in this Resolution; provided, however, that this covenant shall not be construed to prevent the disposal by the Issuer of property which in the judgment of its Governing Body has

become inexpedient or unprofitable to use in connection with the System, or if it is to the advantage of the System that other property of equal or higher value be substituted therefor, and provided further that the proceeds of the disposition of such property shall be placed in a revolving fund to be used in preference to other sources for capital improvements to the System. Any such proceeds of the disposition of property acquired with the proceeds of the Notes or Parity Obligations shall not be used to pay principal or interest on the Notes or Parity Obligations or for payments into the Sinking.

(g) Fidelity Bond. The Issuer shall maintain fidelity bond coverage in amounts which normally would be carried by private companies engaged in a similar kind of business on each officer or employee having custody of funds of the System.

(h) Additional Charges. The Issuer will require proper connecting charges and/or other security for the payment of service charges.

(i) Budget. The Governing Body of the Issuer shall approve and conduct operations pursuant to a system budget of revenues and current expenses for each Fiscal Year. Such budget shall take into account revenues and current expenses during the current and last preceding Fiscal Year. Copies of such budget and any amendments thereto shall be provided to the holders of any of the Notes upon request.

Section 20. Remedies of Noteholders. Except as herein expressly limited the holder or holders of the Notes and Parity Obligations shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their Notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder.

Section 21. Prior Lien and Parity Obligations. The Issuer will issue no other notes, bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the property or revenues of the System having priority over the Notes or Parity Obligations.

Additional Obligations may be issued on a parity and equality of rank with the Notes with respect to the lien and claim of such Additional Obligations to the revenues of the System and the money on deposit in the funds adopted by this Resolution, for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Notes or Parity Obligations which shall have matured or which shall mature not later than three months after the date of delivery of such refunding obligation and for the payment of which there shall be insufficient money in the Sinking Fund;

(b) For the purpose of refunding any outstanding Notes, Parity Obligations or general obligation notes or making extensions, additions, improvements or replacements to the System, if all of the following conditions shall have been met:

(i) before any such Additional Obligations ranking on a parity are issued, there will have been procured and filed with the City Clerk, a statement of an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, reciting the opinion based upon necessary investigations that the Net Revenues of the System for the preceding Fiscal Year (with adjustments as hereinafter provided) were equal to at least 1.10 times the maximum amount that will be required in any Fiscal Year prior to the longest maturity of any of the Notes or Parity Obligations for both principal of and interest on all Notes and Parity Obligations then outstanding which are payable from the net earnings of the System and the Additional Obligations then proposed to be issued.

For the purpose of determining the Net Revenues of the System for the preceding Fiscal Year as aforesaid, the amount of the gross revenues for such year may be adjusted by an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, so as to reflect any changes in the amount of such revenues which would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the issuance of any such Additional Obligations been in effect during all of such preceding Fiscal Year.

(ii) the Additional Obligations must be payable as to principal and as to interest on the same month and day as the Notes herein authorized.

(iii) for the purposes of this Section, principal and interest falling due on the first day of a Fiscal Year shall be deemed a requirement of the immediately preceding Fiscal Year.

(iv) for the purposes of this Section, general obligation bonds or notes shall be refunded only upon a finding of necessity by the Governing Body and only to the extent the general obligation bonds or notes were issued or the proceeds thereof were expended for the System.

(v) for purposes of this Section, "preceding Fiscal Year" shall be the most recently completed Fiscal Year for which audited financial statements prepared by a certified public accountant are issued and available, but in no event a Fiscal Year which ended more than eighteen months prior to the date of issuance of Additional Obligations.

Section 22. Disposition of Proceeds; Arbitrage Not Permitted. The Issuer reasonably expects and covenants that no use will be made of the proceeds from the issuance and sale of the Notes issued hereunder which will cause any of the Notes to be classified as arbitrage bonds within the meaning of Section 148(a) and (b) of the Internal Revenue Code of the United States,

and that throughout the term of the Notes it will comply with the requirements of such statute and regulations issued thereunder.

To the best knowledge and belief of the Issuer, there are no facts or circumstances that would materially change the foregoing statements or the conclusion that it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be arbitrage notes. Without limiting the generality of the foregoing, the Issuer hereby agrees to comply with the provisions of the Tax Exemption Certificate and the provisions of the Tax Exemption Certificate are hereby incorporated by reference as part of this Resolution. The Treasurer is hereby directed to make and insert all calculations and determinations necessary to complete the Tax Exemption Certificate in all respects and to execute and deliver the Tax Exemption Certificate at issuance of the Notes to certify as to the reasonable expectations and covenants of the Issuer at that date.

The Issuer covenants that it will treat as Yield Restricted any proceeds of the Notes remaining unexpended after three years from the issuance and any other funds required by the Tax Exemption Certificate to be so treated. If any investments are held with respect to the Notes and Parity Obligations, the Issuer shall treat the same for the purpose of restricted yield as held in proportion to the original principal amounts of each issue.

The Issuer covenants that it will exceed any investment yield restriction provided in this Resolution only in the event that it shall first obtain an opinion of recognized bond counsel that the proposed investment action will not cause the Notes to be classified as arbitrage bonds under Section 148(a) and (b) the Internal Revenue Code or regulations issued thereunder.

The Issuer covenants that it will proceed with due diligence to spend the proceeds of the Notes for the purpose set forth in this Resolution. The Issuer further covenants that it will make no change in the use of the proceeds available for the construction of facilities or change in the use of any portion of the facilities constructed therefrom by persons other than the Issuer or the general public unless it has obtained an opinion of bond counsel or a revenue ruling that the proposed project or use will not be of such character as to cause interest on any of the Notes not to be exempt from federal income taxes in the hands of holders other than substantial users of the project, under the provisions of Section 142(a) of the Internal Revenue Code of the United States, related statutes and regulations.

Section 23. Additional Covenants, Representations and Warranties of the Issuer. The Issuer certifies and covenants with the purchasers and holders of the Notes from time to time outstanding that the Issuer through its officers, (a) will make such further specific covenants, representations and assurances as may be necessary or advisable; (b) comply with all representations, covenants and assurances contained in the Tax Exemption Certificate, which Tax Exemption Certificate shall constitute a part of the contract between the Issuer and the owners of the Notes; (c) consult with bond counsel (as defined in the Tax Exemption Certificate); (d) pay to the United States, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Notes; (e) file such forms, statements and supporting documents as may be required and in a timely manner; and (f) if deemed necessary or

advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Issuer in such compliance.

Section 24. Discharge and Satisfaction of Notes. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Notes and Parity Obligations, or any of them, in any one or more of the following ways:

- (a) By paying the Notes or Parity Obligations when the same shall become due and payable; and
- (b) By depositing in trust with the Treasurer, or with a corporate trustee designated by the Governing Body for the payment of the obligations and irrevocably appropriated exclusively to that purpose an amount in cash or direct obligations of the United States the maturities and income of which shall be sufficient to retire at maturity, or by redemption prior to maturity on a designated date upon which the obligations may be redeemed, all of such obligations outstanding at the time, together with the interest thereon to maturity or to the designated redemption date, premiums thereon, if any, that may be payable on the redemption of the same; provided that proper notice of redemption of all such obligations to be redeemed shall have been previously published or provisions shall have been made for such publication.

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

Section 25. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the holder or holders of the Notes and Parity Obligations, and after the issuance of any of the Notes no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as provided in the next succeeding Section, until such time as all of the Notes and Parity Obligations, and interest due thereon, shall have been satisfied and discharged as provided in this Resolution.

Section 26. Amendment of Resolution Without Consent. The Issuer may, without the consent of or notice to any of the holders of the Notes and Parity Obligations, amend or supplement this Resolution for any one or more of the following purposes:

- (a) to cure any ambiguity, defect, omission or inconsistent provision in this Resolution or in the Notes or Parity Obligations; or to comply with any application provision of law or regulation of federal or state agencies; provided, however, that such action shall not materially adversely affect the interests of the holders of the Notes or Parity Obligations;

- (b) to change the terms or provisions of this Resolution to the extent necessary to prevent the interest on the Notes or Parity Obligations from being includable within the gross income of the holders thereof for federal income tax purposes;
- (c) to grant to or confer upon the holders of the Notes or Parity Obligations any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the holders of the Notes;
- (d) to add to the covenants and agreements of the Issuer contained in this Resolution other covenants and agreements of, or conditions or restrictions upon, the Issuer or to surrender or eliminate any right or power reserved to or conferred upon the Issuer in this Resolution; or
- (e) to subject to the lien and pledge of this Resolution additional pledged revenues as may be permitted by law.

Section 27. Amendment of Resolution Requiring Consent. This Resolution may be amended from time to time if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the Notes and Parity Obligations at any time outstanding (not including in any case any Notes which may then be held or owned by or for the account of the Issuer, but including such refunding obligations as may have been issued for the purpose of refunding any of such Notes if such refunding obligations shall not then be owned by the Issuer); but this Resolution may not be so amended in such manner as to:

- (a) Make any change in the maturity of interest rate of the Notes, or modify the terms of payment of principal of or interest on the Notes or any of them or impose any conditions with respect to such payment;
- (b) Materially affect the rights of the holders of less than all of the Notes and Parity Obligations then outstanding; and
- (c) Reduce the percentage of the principal amount of Notes, the consent of the holders of which is required to effect a further amendment.

Whenever the Issuer shall propose to amend this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be filed with the Original Purchaser and to be mailed by certified mail to each registered owner of any Note as shown by the records of the Registrar. Such notice shall set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory Resolution is on file in the office of the City Clerk.

Whenever at any time within one year from the date of the mailing of the notice there shall be filed with the City Clerk an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Notes then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory Resolution described in the notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Governing Body of the Issuer may adopt such amendatory Resolution and such

Resolution shall become effective and binding upon the holders of all of the Notes and Parity Obligations.

Any consent given by the holder of a Note pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Note during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the City Clerk.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Notes held by any person executing such instrument and the date of his holding the same may be proved by an affidavit by such person or by a certificate executed by an officer of a bank or trust company showing that on the date therein mentioned such person had on deposit with such bank or trust company the Notes described in such certificate.

Section 28. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions.

Section 29. Repeal of Conflicting Ordinances or Resolutions and Effective Date. All other ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; and this Resolution shall be in effect from and after its adoption.

[Reminder of this page intentionally left blank]

ADOPTED AND APPROVED this _____ day of _____, 2020.

Mayor

ATTEST:

City Clerk

TAX EXEMPTION CERTIFICATE

of

CITY OF PELLA, COUNTY OF MARION, STATE OF IOWA, ISSUER

\$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020G

This instrument was prepared by:

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, Iowa 50309
(515) 243-7611

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TAX EXEMPTION CERTIFICATE

CITY OF PELLA, STATE OF IOWA

THIS TAX EXEMPTION CERTIFICATE made and entered into on May 28, 2020, by the City of Pella, County of Marion, State of Iowa (the "Issuer").

INTRODUCTION

This Certificate is executed and delivered in connection with the issuance by the Issuer of its \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020G (the "Bonds"). The Bonds are issued pursuant to the provisions of the Resolution of the Issuer authorizing the issuance of the Bonds. Such Resolution provides that the covenants contained in this Certificate constitute a part of the Issuer's contract with the owners of the Bonds.

The Issuer recognizes that under the Code (as defined below) the tax-exempt status of the interest received by the owners of the Bonds is dependent upon, among other things, the facts, circumstances, and reasonable expectations of the Issuer as to future facts not in existence at this time, as well as the observance of certain covenants in the future. The Issuer covenants that it will take such action with respect to the Bonds as may be required by the Code, and pertinent legal regulations issued thereunder in order to establish and maintain the tax-exempt status of the Bonds, including the observance of all specific covenants contained in the Resolution and this Certificate.

ARTICLE I

DEFINITIONS

The following terms as used in this Certificate shall have the meanings set forth below. The terms defined in the Resolution shall retain the meanings set forth therein when used in this Certificate. Other terms used in this Certificate shall have the meanings set forth in the Code or in the Regulations.

- "Annual Debt Service" means the principal of and interest on the Bonds scheduled to be paid during a given Bond Year.
- "Bonds" means the \$4,326,000 aggregate principal amount of Communications Utility Revenue Capital Loan Notes, Series 2020G, of the Issuer issued in registered form pursuant to the Resolution.
- "Bond Counsel" means Ahlers & Cooney, P.C., Des Moines, Iowa, or an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any State of the United States of America.
- "Bond Fund" means the Sinking Fund described in the Resolution.

- "Bond Purchase Agreement" means the binding contract in writing for the sale of the Bonds.
- "Bond Year" as defined in Regulation 1.148-1(b), means a one-year period beginning on the day after expiration of the preceding Bond Year. The first Bond Year shall be the one-year or shorter period beginning on the Closing Date and ending on a principal or interest payment date, unless Issuer selects another date.
- "Bond Yield" means the yield on the Bonds and bonds described in Section 2.1(1) computed under Section 1.148-4(c) of the Regulations, which will be computed as a variable rate issue.
- "Certificate" means this Tax Exemption Certificate.
- "Closing" means the delivery of the Bonds in exchange for the agreed upon purchase price.
- "Closing Date" means the date of Closing.
- "Code" means the Internal Revenue Code of 1986, as amended, and any statutes which replace or supplement the Internal Revenue Code of 1986.
- "Computation Date" means each five-year period from the Closing Date through the last day of the fifth and each succeeding fifth Bond Year.
- "Excess Earnings" means the amount earned on all Nonpurpose Investments minus the amount which would have been earned if such Nonpurpose Investments were invested at a rate equal to the Bond Yield, plus any income attributable to such excess.
- "Final Bond Retirement Date" means the date on which the Bonds are actually paid in full.
- "Governmental Obligations" means direct general obligations of, or obligations the timely payment of the principal of and interest on which is unconditionally guaranteed by the United States.
- "Gross Proceeds" as defined in Regulation 1.148-1(b), means any Proceeds of the Bonds and any replacement proceeds (as defined in Regulation 1.148-1(c)) of the Bonds.
- "Gross Proceeds Funds" means the Project Fund, Proceeds held to pay cost of issuance, and any other fund or account held for the benefit of the owners of the Bonds or containing Gross Proceeds of the Bonds except the Bond Fund and the Rebate Fund.

- "Issue Price" as defined in Regulation 1.148-1(b) and (f)(2), means the price paid by the Purchaser of the Bonds. The Issue Price is \$4,326,000, as set forth in Exhibit A.
- "Issuer" means the City of Pella, a municipal corporation in County of Marion, State of Iowa.
- "Minor Portion of the Bonds", as defined in Regulation 1.148-2(g), means the lesser of five (5) percent of Proceeds or \$100,000. The Minor Portion of the Bonds is computed to be \$100,000.
- "Nonpurpose Investments" means any investment property which is acquired with Gross Proceeds and is not acquired to carry out the governmental purpose of the Bonds, and may include but is not limited to U.S. Treasury bonds, corporate bonds, or certificates of deposit.
- "Proceeds" as defined in Regulation 1.148-1(b), means Sale Proceeds, investment proceeds and transferred proceeds of the Bonds.
- "Project" means the improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital set top boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building, and other miscellaneous improvements, extensions and equipment purchases to benefit the utility including sums already expended that meet the requirements of Section 2.8 hereof, as more fully described in the Resolution.
- "Project Fund" shall mean the fund required to be established by the Resolution for the deposit of the Proceeds of the Notes.
- "Purchasers" means Cedar Rapids Bank & Trust of Cedar Rapids, Iowa, constituting the initial purchasers of the Bonds from the Issuer.
- "Rebate Amount" means the amount computed as described in this Certificate.
- "Rebate Fund" means the fund to be created, if necessary, pursuant to this Certificate.
- "Rebate Payment Date" means a date chosen by the Issuer which is not more than 60 days following each Computation Date or the Final Bond Retirement Date.
- "Regulations" means the Income Tax Regulations, amendments and successor provisions promulgated by the Department of the Treasury under Sections 103, 148 and 149 of the Code, or other Sections of the Code relating to "arbitrage bonds", including without limitation Regulations 1.148-1 through 1.148-11, 1.149(b)-1, 1.149-d(1), 1.150-1 and 1.150-2.

- "Replacement Proceeds" include, but are not limited to, sinking funds, amounts that are pledged as security for an issue, and amounts that are replaced because of a sufficiently direct nexus to a governmental purpose of an issue.
- "Resolution" means the resolution of the Issuer adopted on May 12, 2020, authorizing the issuance of the Bonds.
- "Sale Proceeds" as defined in Regulation 1.148-1(b), means any amounts actually or constructively received from the sale of the Bonds, including amounts used to pay underwriter's discount or compensation and accrued interest other than pre-issuance accrued interest.
- "Sinking Fund" means the Bond Fund.
- "SLGS" means demand deposit Treasury securities of the State and Local Government Series.
- "Tax Exempt Obligations" means bonds or other obligations the interest on which is excludable from the gross income of the owners thereof under Section 103 of the Code and include certain regulated investment companies, stock in tax-exempt mutual funds and demand deposit SLGS.
- "Taxable Obligations" means all investment property, obligations or securities other than Tax Exempt Obligations.
- "Verification Certificate" means the Bond Purchase Agreement.

ARTICLE II

SPECIFIC CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

The Issuer hereby certifies, represents and agrees as follows:

Section 2.1 Authority to Certify and Expectations

- (a) The undersigned officer of the Issuer along with other officers of the Issuer, are charged with the responsibility of issuing the Bonds.
- (b) This Certificate is being executed and delivered in part for the purposes specified in Section 1.148-2(b)(2) of the Regulations and is intended (among other purposes) to establish reasonable expectations of the Issuer at this time.
- (c) The Issuer has not been notified of any disqualification or proposed disqualification of it by the Commissioner of the Internal Revenue Service as a bond issuer which may certify bond issues under Section 1.148-2(b)(2) of the Regulations.

(d) The certifications, representations and agreements set forth in this Article II are made on the basis of the facts, estimates and circumstances in existence on the date hereof, including the following: (1) with respect to amounts expected to be received from delivery of the Bonds, amounts actually received, (2) with respect to payments of amounts into various funds or accounts, review of the authorizations or directions for such payments made by the Issuer pursuant to the Resolution and this Certificate, (3) with respect to the Issue Price, the certifications of the Purchasers as set forth in the Verification Certificate, (4) with respect to expenditure of the Proceeds of the Bonds, actual expenditures and reasonable expectations of the Issuer as to when the Proceeds will be spent for purposes of the Project, (5) with respect to Bond Yield, review of the Verification Certificate, and (6) with respect to the amount of governmental and qualified 501(c)(3) bonds to be issued during the calendar year, the budgeting and present planning of Issuer. The Issuer has no reason to believe such facts, estimates or circumstances are untrue or incomplete in any material way.

(e) To the best of the knowledge and belief of the undersigned officer of the Issuer, there are no facts, estimates or circumstances that would materially change the representations, certifications or agreements set forth in this Certificate, and the expectations herein set out are reasonable.

(f) No arrangement exists under which the payment of principal or interest on the Bonds would be directly or indirectly guaranteed by the United States or any agency or instrumentality thereof.

(g) After the expiration of any applicable temporary periods, and excluding investments in a bona fide debt service fund or reserve fund, not more than five percent (5%) of the Proceeds of the Bonds will be (a) used to make loans which are guaranteed by the United States or any agency or instrumentality thereof, or (b) invested in federally insured deposits or accounts.

(h) The Issuer will file with the Internal Revenue Service in a timely fashion Form 8038-G, Information Return for Tax-Exempt Governmental Obligations with respect to the Bonds and such other reports required to comply with the Code and applicable Regulations.

(i) The Issuer will take no action which would cause the Bonds to become "private activity bonds" as defined in Section 141 (a) of the Code, including any use of the Project by any person other than a governmental unit if such use will be by other than a member of the general public. None of the Proceeds of the Bonds will be used directly or indirectly to make or finance loans to any person other than a governmental unit.

(j) The Issuer will make no change in the nature or purpose of the Project except as provided in Section 6.1 hereof.

(k) Except as provided in the Resolution, the Issuer will not establish any sinking fund, bond fund, reserve fund, debt service fund or other fund reasonably expected to be used to pay debt service on the Bonds (other than the Bond Fund and any

Reserve Fund), exercise its option to redeem Bonds prior to maturity or effect a refunding of the Bonds.

(l) Except for the Bonds described as Communications Utility Revenue Capital Loan Notes, Series 2020A and Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B, no bonds or other obligations of the Issuer (1) were sold in the 15 days preceding the date of sale of the Bonds, (2) were sold or will be sold within the 15 days after the date of sale of the Bonds, (3) have been delivered in the past 15 days or (4) will be delivered in the next 15 days pursuant to a common plan of financing for the issuance of the Bonds and payable out of substantially the same source of revenues.

(m) None of the Proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer used directly or indirectly to acquire obligations having a yield higher than the Bond Yield.

(n) No portion of the Bonds is issued for the purpose of investing such portion at a higher yield than the Bond Yield.

(o) The Issuer does not expect that the Proceeds of the Bonds will be used in a manner that would cause them to be "arbitrage bonds" as defined in Section 148(a) of the Code. The Issuer does not expect that the Proceeds of the Bonds will be used in a manner that would cause the interest on the Bonds to be includible in the gross income of the owners of the Bonds under the Code. The Issuer will not intentionally use any portion of the Proceeds to acquire higher yielding investments.

(p) The Issuer will not use the Proceeds of the Bonds to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage.

(q) The Issuer has not issued more Bonds, issued the Bonds earlier, or allowed the Bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Bonds and in fact, the Bonds will not remain outstanding longer than 120% of the economic useful life of the assets financed with the Proceeds of the Bonds.

(r) The Bonds will not be Hedge Bonds as described in Section 149(g)(3) of the Code because the Issuer reasonably expects that it will meet the Expenditure test set forth in Section 2.5(b) hereof and that 50% or more of the Proceeds will not be invested in Nonpurpose Investments having a substantially guaranteed yield for four or more years.

Except for costs of issuance, all Sale Proceeds and investment earnings thereon will be expended for costs of the type that would be chargeable to capital accounts under the Code pursuant to federal income tax principles if the Issuer were treated as a corporation subject to federal income taxation.

Section 2.2 Receipts and Expenditures of Sale Proceeds

Sale Proceeds (par) received at Closing are expected to be deposited and expended as follows:

(a) \$-0- representing pre-issuance accrued interest will be deposited into the Bond Fund and will be used to pay a portion of the interest accruing on the Bonds on the first interest payment date; and

(b) \$84,890 representing costs of issuing the Bonds will be used within six months of the Closing Date to pay the costs of issuance of the Bonds (with any excess remaining on deposit in the Project Fund); and

(c) \$139,279 representing capitalized interest will be deposited into the Capitalized Interest Fund and will be used to pay interest on the Bonds through December 1, 2021 (any excess, including earnings on the Capitalized Interest Fund, will be deposited into the Project Fund); and

(d) \$4,101,831 will be deposited into the Project Fund and will be used together with earnings thereon to pay the costs of the Project and will not exceed the amount necessary to accomplish the governmental purposes of the Bonds.

Section 2.3 Purpose of Bonds

The Issuer is issuing the Bonds to pay the costs of improvements and extensions to the Municipal Communications Utility, including acquisition, installation and construction of customer service drops, access equipment, digital set top boxes, transport, routers, other core data center equipment, head-end equipment, and vehicles, reconstruction, remodeling and equipping of the central office building, and other miscellaneous improvements, extensions and equipment purchases to benefit the utility.

Section 2.4 Facts Supporting Tax-Exemption Classification

Governmental Bonds

Private Business Use/Private Security or Payment Tests

The Bonds are considered to be governmental bonds, not subject to the provisions of the alternate minimum tax. The Proceeds will be used for the purposes described in Section 2.3 hereof. These bonds are not private activity bonds because no amount of Proceeds of the Bonds is to be used in a trade or business carried on by a non-governmental unit. Rather, the Proceeds will be used to finance the general government operations and facilities of the Issuer described in Section 2.3 hereof. None of the payment of principal or interest on the Bonds will be derived from, or secured by, money or property used in a trade or business of a non-governmental unit. In addition, none of the governmental operations or facilities of the Issuer being financed with the Proceeds of the Bonds are subject to any lease, management contract or other similar arrangement or to any arrangement for use other than as by the general public.

Private Loan Financing Test

No amount of Proceeds of the Bonds is to be used directly or indirectly to make or finance loans to persons other than governmental units.

Section 2.5 Facts Supporting Temporary Periods for Proceeds

(a) Time Test. Not later than six months after the Closing Date, the Issuer will incur a substantial binding obligation to a third party to expend at least 5% of the net Sale Proceeds of the Bonds.

(b) Expenditure Test. Not less than 85% of the net Sale Proceeds will be expended for Project costs, including the reimbursement of other funds expended to date, within a three-year temporary period from the Closing Date.

(c) Due Diligence Test. Not later than six months after Closing, work on the Project will have commenced and will proceed with due diligence to completion.

(d) Proceeds of the Bonds representing less than six months accrued interest on the Bonds will be spent within six months of this date to pay interest on the Bonds, and will be invested without restriction as to yield for a temporary period not in excess of six months.

Section 2.6 Resolution Funds at Restricted or Unrestricted Yield

(a) Proceeds of the Bonds will be held and accounted for in the manner provided in the Resolution. The Issuer has not and does not expect to create or establish any other bond fund, reserve fund, or similar fund or account for the Bonds. The Issuer has not and will not pledge any moneys or Taxable Obligations in order to pay debt service on the Bonds or restrict the use of such moneys or Taxable Obligations so as to give reasonable assurances of their availability for such purposes.

(b) Any monies which are invested beyond a temporary period are expected to constitute less than a major portion of the Bonds or to be restricted for investment at a yield not greater than one-eighth of one percent above the Bond Yield.

(c) The Issuer has established and will use the Bond Fund primarily to achieve a proper matching of revenues and debt service within each Bond Year and the Issuer will apply moneys deposited into the Bond Fund to pay the principal of and interest on the Bonds. Such Fund will be depleted at least once each Bond Year except for a reasonable carryover amount. The carryover amount will not exceed the greater of (1) one year's earnings on the Bond Fund or (2) one-twelfth of Annual Debt Service. The Issuer will spend moneys deposited from time to time into such fund within 13 months after the date of deposit. Revenues, intended to be used to pay debt service on the Bonds, will be deposited into the Bond Fund as set forth in the Resolution. The Issuer will spend interest earned on moneys in such fund not more than 12 months after receipt. Accordingly, the Issuer will treat the Bond Fund as a bona fide debt service fund as defined in Regulation 1.148-1(b).

Investment of amounts on deposit in the Bond Fund will not be subject to arbitrage rebate requirements as the Bonds meet the safe harbor set forth in Regulation 1.148-3(k), because the average annual debt service on the Bonds will not exceed \$2,500,000; and the Bonds are expected to meet one or more of the spending exemptions from rebate as provided in Section 3.3 hereof.

- (d) The Minor Portion of the Bonds will be invested without regard to yield.

Section 2.7 Pertaining to Yields

(a) The purchase price of all Taxable Obligations to which restrictions apply under this Certificate as to investment yield or rebate of Excess Earnings, if any, has been and shall be calculated using (i) the price taking into account discount, premium and accrued interest, as applicable, actually paid or (ii) the fair market value if less than the price actually paid and if such Taxable Obligations were not purchased directly from the United States Treasury. The Issuer will acquire all such Taxable Obligations directly from the United States Treasury or in an arm's length transaction without regard to any amounts paid to reduce the yield on such Taxable Obligations. The Issuer will not pay or permit the payment of any amounts (other than to the United States) to reduce the yield on any Taxable Obligations. Obligations pledged to the payment of debt service on the Bonds, or deposited into any reserve fund after they have been acquired by the Issuer will be treated as though they were acquired for their fair market value on the date of such pledge or deposit. Obligations on deposit in any reserve fund on the Closing Date shall be treated as if acquired for their fair market value on the Closing Date.

- (b) Qualified guarantees have not been used in computing yield.

(c) The Bond Yield of the Notes is variable and, as such, no calculation of the yield on the Notes may be made as of the date hereof. For purposes of computing the yield on the Notes, the first yield period shall begin on the Closing Date and end on the first Computation Date. Each succeeding yield period shall begin on the day immediately following the Computation Date and end on the next succeeding Computation Date.

Section 2.8 Reimbursement Bonds

(a) Not later than 60 days after payment of Original Expenditures, the Issuer has adopted an Official Intent and has declared its intention to make a Reimbursement Allocation of Original Expenditures incurred in connection with Project Segment(s) from proceeds of the Reimbursement Bonds.

(b) The Reimbursement Allocation will occur on or before the later of (i) eighteen months after the Original Expenditures are paid or (ii) eighteen months after the first Project Segment is placed in service, but in no event more than three years after the Original Expenditures are paid.

(c) No other Reimbursement Allocation will be made except for Preliminary Expenditures.

(d) The Reimbursement Allocation has not been undertaken to avoid, in whole or in part, arbitrage yield restrictions or arbitrage rebate requirements and will not employ an abusive arbitrage device under Regulation 1.148-10.

(e) Within one year of the Closing Date, the Reimbursement Allocation will not be used in a manner that results in the creation of replacement proceeds, as defined in Regulation 1.148-1.

(f) For purposes of Section 2.8, the following terms shall have the meanings set forth below:

(1) "Official Intent" means a declaration of intent described under Regulation 1.150-2 to reimburse Original Expenditures with the proceeds of the Bonds.

(2) "Original Expenditure" means an expenditure for a governmental purpose that is originally paid from a source other than the Reimbursement Bonds.

(3) "Preliminary Expenditures", as defined in Regulation 1.150-2(f)(2), means architectural, engineering, surveying, soil tests, Reimbursement Bond issuance costs, and similar costs incurred prior to commencement of construction, rehabilitation or acquisition of a Project Segment which do not exceed 20% of the Issue Price of the portion of the Bonds that finances the Project Segment for which they were incurred.

(4) "Project Segment" means the costs, described in an Official Intent of the Issuer, incurred prior to the Closing Date to acquire, construct, or improve land, buildings or equipment excluding current operating expenses but including costs of issuing the Reimbursement Bonds.

(5) "Reimbursement Allocation" means written evidence of the use of Reimbursement Bond proceeds to reimburse a fund of the Issuer for Original Expenditures paid or advanced prior to the Closing Date and incurred in connection with a Project Segment.

(6) "Reimbursement Bonds" means the portion of the Bonds which are allocated to reimburse the Original Expenditures paid prior to the Closing Date and incurred in connection with a Project Segment.]

ARTICLE III

REBATE

Section 3.1 Records

Sale Proceeds of the Bonds will be held and accounted for in the manner provided in the Resolution. The Issuer will maintain adequate records for funds created by the Resolution and

this Certificate including all deposits, withdrawals, transfers from, transfers to, investments, reinvestments, sales, purchases, redemptions, liquidations and use of money or obligations until six years after the Final Bond Retirement Date.

Section 3.2 Rebate Fund

(a) In the Resolution, the Issuer has covenanted to pay to the United States the Rebate Amount, an amount equal to the Excess Earnings on the Gross Proceeds Funds, if any, at the times and in the manner required or permitted and subject to stated special rules and allowable exceptions.

(b) The Issuer may establish a fund pursuant to the Resolution and this Certificate which is herein referred to as the Rebate Fund. The Issuer will invest and expend amounts on deposit in the Rebate Fund in accordance with this Certificate.

(c) Moneys in the Rebate Fund shall be held by the Issuer or its designee and, subject to Sections 3.4, 3.5 and 6.1 hereof, shall be held for future payment to the United States as contemplated under the provisions of this Certificate and shall not constitute part of the trust estate held for the benefit of the owners of the Bonds or the Issuer.

(d) The Issuer will pay to the United States from legally available money of the Issuer (whether or not such available money is on deposit in any fund or account related to the Bonds) any amount which is required to be paid to the United States.

Section 3.3 Exceptions to Rebate

The Issuer reasonably expects that the Bonds are eligible for one or more exceptions from the arbitrage rebate rules set forth in the Regulations. If any Proceeds are ineligible, or become ineligible, for an exception to the arbitrage rebate rules, the Issuer will comply with the provisions of this Article III. A description of the applicable rebate exception(s) is as follows:

- Election to Treat as Construction Bonds.

The Issuer reasonably expects that more than 75 percent of the "available construction proceeds" ("ACP") of the Bonds, as defined in Section 148(f)(4)(C)(vi) of the Code, will be used for construction expenditures. ACP includes the issue price of the issue plus the earnings on such issue. Not less than the following percentages of the ACP will be spent within the following periods:

- 1) 10 percent spent within six months of the Closing Date;
- 2) 45 percent spent within one year of the Closing Date;
- 3) 75 percent spent within eighteen months of the Closing Date;
- 4) 100 percent spent within two years of the Closing Date (subject to 5 percent retainage for not more than one year).

In any event, the Issuer expects that the 5% reasonable retainage will be spent within a three-year period beginning on the Closing Date. A failure to spend an amount that does not exceed the lesser of (i) 3% of the issue price or (ii) \$250,000, is disregarded if the Issuer exercises due diligence to complete the Project.

- Election with respect to future earnings

Pursuant to Section 1.148-7(h)(i)(3) of the Regulations, the Issuer shall calculate the amount of future earnings to be used in determining compliance with the first three spending periods based on its reasonable expectations that the average annual interest rate on investments of the ACP will be not more than 6%. Compliance with the final spending period shall be calculated using actual earnings.

If the Issuer fails to meet the foregoing expenditure schedule, the Issuer shall comply with the arbitrage rebate requirements of the Code.

Section 3.4 Calculation of Rebate Amount

(a) As soon after each Computation Date as practicable, the Issuer shall, if necessary, calculate and determine the Excess Earnings on the Gross Proceeds Funds (the "Rebate Amount"). All calculations and determinations with respect to the Rebate Amount will be made on the basis of actual facts as of the Computation Date and reasonable expectations as to future events.

(b) If the Rebate Amount exceeds the amount currently on deposit in the Rebate Fund, the Issuer may deposit an amount in the Rebate Fund such that the balance in the Rebate Fund after such deposit equals the Rebate Amount. If the amount in the Rebate Fund exceeds the Rebate Amount, the Issuer may withdraw such excess amount provided that such withdrawal can be made from amounts originally transferred to the Rebate Fund and not from earnings thereon, which may not be transferred, and only if such withdrawal may be made without liquidating investments at a loss.

Section 3.5 Rebate Requirements and the Bond Fund

It is expected that the Bond Fund described in the Resolution and Section 2.6(c) of this Certificate will be treated as a bona fide debt service fund as defined in Regulation 1.148-1(b). As such, any amount earned during a Bond Year on the Bond Fund and amounts earned on such amounts, if allocated to the Bond Fund, will not be taken into account in calculating the Rebate Amount for the reasons outlined in Section 2.6(c) hereof. However, should the Bond Fund cease to be treated as a bona fide debt service fund, the Bond Fund will become subject to the rebate requirements set forth in Section 3.4 hereof.

Section 3.6 Investment of the Rebate Fund

(a) Immediately upon a transfer to the Rebate Fund, the Issuer may invest all amounts in the Rebate Fund not already invested and held in the Rebate Fund, to the extent possible, in (1) SLGS, such investments to be made at a yield of not more than one-eighth of one percent above the Bond Yield, (2) Tax Exempt Obligations, (3) direct

obligations of the United States or (4) certificates of deposit of any bank or savings and loan association. All investments in the Rebate Fund shall be made to mature not later than the next Rebate Payment Date.

(b) If the Issuer invests in SLGS, the Issuer shall file timely subscription forms for such securities (if required). To the extent possible, amounts received from maturing SLGS shall be reinvested immediately in zero yield SLGS maturing on or before the next Rebate Payment Date.

Section 3.7 Payment to the United States

(a) On each Rebate Payment Date, the Issuer will pay to the United States at least ninety percent (90%) of the Rebate Amount less a computation credit of \$1,000 per Bond Year for which the payment is made.

(b) The Issuer will pay to the United States not later than sixty (60) days after the Final Bond Retirement Date all the rebatable arbitrage as of such date and any income attributable to such rebatable arbitrage as described in Regulation 1.148-3(f)(2).

(c) If necessary, on each Rebate Payment Date, the Issuer will mail a check to the Internal Revenue Service Center, Ogden, UT 84201. Each payment shall be accompanied by a copy of Form 8038-T, Arbitrage Rebate, filed with respect to the Bonds or other information reporting form as is required to comply with the Code and applicable Regulations.

Section 3.8 Records

(a) The Issuer will keep and retain adequate records with respect to the Bonds, the Gross Proceeds Funds, the Bond Fund, and the Rebate Fund until six years after the Final Bond Retirement Date. Such records shall include descriptions of all calculations of amounts transferred to the Rebate Fund, if any, and descriptions of all calculations of amounts paid to the United States as required by this Certificate. Such records will also show all amounts earned on moneys invested in such funds, and the actual dates and amounts of all principal, interest and redemption premiums (if any) paid on the Bonds.

(b) Records relating to the investments in such Funds shall completely describe all transfers, deposits, disbursements and earnings including:

(1) a complete list of all investments and reinvestments of amounts in each such Fund including, if applicable, purchase price, purchase date, type of security, accrued interest paid, interest rate, dated date, principal amount, date of maturity, interest payment dates, date of liquidation, receipt upon liquidation, market value of such investment on the Final Bond Retirement Date if held by the Issuer on the Final Bond Retirement Date, and market value of the investment on the date pledged to the payment of the Bonds or the Closing Date if different from the purchase date.

(2) the amount and source of each payment to, and the amount, purpose and payee of each payment from, each such Fund.

Section 3.9 Additional Payments

The Issuer hereby agrees to pay to the United States from legally available money of the Issuer (whether or not such available money is on deposit in any fund or account related to the Bonds) any amount which is required to be paid to the United States, but which is not available in a fund related to the Bonds for transfer to the Rebate Fund or payment to the United States.

ARTICLE IV

INVESTMENT RESTRICTIONS

Section 4.1 Avoidance of Prohibited Payments

The Issuer will not enter into any transaction that reduces the amount required to be deposited into the Rebate Fund or paid to the United States because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Bond Yield not been relevant to either party. The Issuer will not invest or direct the investment of any funds in a manner which reduces an amount required to be paid to the United States because such transaction results in a small profit or larger loss than would have resulted if the transaction had been at arm's length and had the Bond Yield not been relevant to the Issuer. In particular, notwithstanding anything to the contrary contained herein or in the Resolution, the Issuer will not invest or direct the investment of any funds in a manner which would violate any provision of this Article IV.

Section 4.2 Market Price Requirement

(a) The Issuer will not purchase or direct the purchase of Taxable Obligations for more than the then available market price for such Taxable Obligations. The Issuer will not sell, liquidate or direct the sale or liquidation of Taxable Obligations for less than the then available market price.

(b) For purposes of this Certificate, United States Treasury obligations purchased directly from the United States Treasury will be deemed to be purchased at the market price.

Section 4.3 Investment in Certificates of Deposit

(a) Notwithstanding anything to the contrary contained herein or in the Resolution, the Issuer will invest or direct the investment of funds on deposit in the Reserve Fund, any other Gross Proceeds Fund, the Bond Fund, and the Rebate Fund, in a certificate of deposit of a bank or savings bank which is permitted by law and by the Resolution only if the purchase price of such a certificate of deposit is treated as its fair market value on the purchase date and if the yield on the certificate of deposit is not less than (1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(b) The certificate of deposit described in paragraph 4.3(a) above must be executed by a dealer who maintains an active secondary market in comparable certificates of deposit and must be based on actual trades adjusted to reflect the size and term of that certificate of deposit and the stability and reputation of the bank or savings bank issuing the certificate of deposit.

Section 4.4 Investment Pursuant to Investment Contracts and Agreements

The Issuer will invest or direct the investment of funds on deposit in the Gross Proceeds Funds, the Bond Fund, and the Rebate Fund pursuant to an investment contract (including a repurchase agreement) only if all of the following requirements are satisfied:

(a) The Issuer makes a bona fide solicitation for the purchase of the investment. A bona fide solicitation is a solicitation that satisfies all of the following requirements:

(1) The bid specifications are in writing and are timely forwarded to potential providers.

(2) The bid specifications include all material terms of the bid. A term is material if it may directly or indirectly affect the yield or the cost of the investment.

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the issuer or any other person for purposes of satisfying the requirements of paragraph (d)(6)(iii)(B)(1) or (2) of Section 1.148-5 of the Regulations.

(4) The terms of the bid specifications are commercially reasonable. A term is commercially reasonable if there is a legitimate business purpose for the term other than to increase the purchase price or reduce the yield of the investment.

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Issuer's reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) All potential providers have an equal opportunity to bid and no potential provider is given the opportunity to review other bids (i.e., a last look) before providing a bid.

(7) At least three reasonably competitive providers are solicited for bids. A reasonably competitive provider is a provider that has an established industry reputation as a competitive provider of the type of investments being purchased.

(b) The bids received by the Issuer meet all of the following requirements:

(1) The Issuer receives at least three bids from providers that the Issuer solicited under a bona fide solicitation meeting the requirements of paragraph (d)(6)(iii)(A) of Section 1.148-5 of the Regulations and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(2) At least one of the three bids described in paragraph (d)(6)(iii)(B)(1) of Section 1.148-5 of the Regulations is from a reasonably competitive provider, within the meaning of paragraph (d)(6)(iii)(A)(7) of Section 1.148-5 of the Regulations.

(3) If the Issuer uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(c) The winning bid meets the following requirements:

(1) Guaranteed investment contracts. If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) Other investments. If the investment is not a guaranteed investment contract, the winning bid is the lowest cost bona fide bid (including any broker's fees).

(d) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay, if any) to third parties in connection with supplying the investment.

(e) The Issuer will retain the following records with the bond documents until three years after the last outstanding bond is redeemed:

(1) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of investments other than guaranteed investment contracts, the purchase agreement or confirmation.

(2) The receipt or other record of the amount actually paid by the Issuer for the investments, including a record of any administrative costs paid by the Issuer, and the certification under paragraph (d)(6)(iii)(D) of Section 1.148-5 of the Regulations.

(3) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results.

(4) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

(5) For purchases of investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted pursuant to the terms of the bid specifications.

Section 4.5 Records

The Issuer will maintain records of all purchases, sales, liquidations, investments, reinvestments, redemptions, disbursements, deposits, and transfers of amounts on deposit.

Section 4.6 Investments to be Legal

All investments required to be made pursuant to this Certificate shall be made to the extent permitted by law. In the event that any such investment is determined to be ultra vires, it shall be liquidated and the proceeds thereof shall be invested in a legal investment, provided that prior to reinvesting such proceeds, the Issuer shall obtain an opinion of Bond Counsel to the effect that such reinvestment will not cause the Bonds to become arbitrage bonds under Sections 103, 148, 149, or any other applicable provision of the Code.

ARTICLE V

GENERAL COVENANTS

The Issuer hereby covenants to perform all acts within its power necessary to ensure that the reasonable expectations set forth in Article II hereof will be realized. The Issuer reasonably expects to comply with all covenants contained in this Certificate.

ARTICLE VI

AMENDMENTS AND ADDITIONAL AGREEMENTS

Section 6.1 Opinion of Bond Counsel; Amendments

The various provisions of this Certificate need not be observed and this Certificate may be amended or supplemented at any time by the Issuer if the Issuer receives an opinion or

opinions of Bond Counsel that the failure to comply with such provisions will not cause any of the Bonds to become "arbitrage bonds" under the Code and that the terms of such amendment or supplement will not cause any of the Bonds to become "arbitrage bonds" under the Code, or otherwise cause interest on any of the Bonds to become includable in gross income for federal income tax purposes.

Section 6.2 Additional Covenants, Agreements

The Issuer hereby covenants to make, execute and enter into (and to take such actions, if any, as may be necessary to enable it to do so) such agreements as may be necessary to comply with any changes in law or regulations in order to preserve the tax-exempt status of the Bonds to the extent that it may lawfully do so. The Issuer further covenants (1) to impose such limitations on the investment or use of moneys or investments related to the Bonds, (2) to make such payments to the United States Treasury, (3) to maintain such records, (4) to perform such calculations, and (5) to perform such other lawful acts as may be necessary to preserve the tax-exempt status of the Bonds.

Section 6.3 Internal Revenue Service Audits

The Internal Revenue Service has not audited the Issuer regarding any obligations issued by or on behalf of the Issuer. To the best knowledge of the Issuer, no such obligations of the Issuer are currently under examination by the Internal Revenue Service.

Section 6.4 Amendments

Except as otherwise provided in Section 6.1 hereof, all the rights, powers, duties and obligations of the Issuer shall be irrevocable and binding upon the Issuer and shall not be subject to amendment or modification by the Issuer.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be executed by its duly authorized officer, all as of the day first above written.

Finance Director, City of Pella, State of Iowa

(SEAL)

EXHIBIT "A"

CITY OF PELLA, IOWA
\$4,326,000 COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES,
SERIES 2020G

CERTIFICATE OF THE PURCHASER

The undersigned, on behalf of Cedar Rapids Bank & Trust (the "Purchaser"), hereby certifies as set forth below with respect to the purchase of the above-captioned obligations (the "Bonds").

1. ***Purchase of the Bonds.*** On the date of this certificate, the Purchaser is purchasing the Bonds for the amount of \$4,326,000. The Purchaser is not acting as an Underwriter with respect to the Bonds. The Purchaser has no present intention to sell, reoffer, or otherwise dispose of the Bonds (or any portion of the Bonds or any interest in the Bonds). The Purchaser has not contracted with any person pursuant to a written agreement to have such person participate in the initial sale of the Bonds and the Purchaser has not agreed with the Issuer pursuant to a written agreement to sell the Bonds to persons other than the Purchaser or a related party to the Purchaser.

2. ***Defined Terms.***

a) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

b) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Ahlers & Cooney, P.C. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

CEDAR RAPIDS BANK & TRUST, as
Purchaser

By: _____

Name: _____

Dated: MAY 28, 2020

EXHIBIT "B"

CONSTRUCTION ISSUE CERTIFICATION

I, the undersigned, do hereby certify that I am the Finance Director of The City of Pella, Iowa. I acknowledge that this Certificate is given as the basis for certain representations made in the Tax Exemption Certificate delivered by the City of Pella, State of Iowa (the "Issuer"), as of the date hereof, in connection with the issuance of \$4,326,000 Communications Utility Revenue Capital Loan Notes, Series 2020G, of the Issuer (the "Bonds").

The Issuer has elected to satisfy the requirements of Code Section 148(f)(4)(C)(iv)(I) based upon its reasonable expectations that more than 75% of the "available construction proceeds" of the Bonds, as defined in Section 148(f)(4)(C)(vi) of the Code, are to be used for construction expenditures with respect to property to be owned by the Issuer as a governmental unit.

Construction expenditures means capital expenditures, as defined in Regulation 1.150-1(b), that, on or before the date the property financed by the expenditures is placed in service, as defined in Regulation 1.150-2(c), will be properly chargeable to or may be capitalized as part of the basis of (1) real property, other than expenditures for the acquisition of any interest in land or real property other than land, (2) constructed personal property as defined in Regulation 1.148-7(g)(3), or (3) specially developed computer software as defined in Regulation 1.148-7(g)(4), that is functionally related and subordinate to real property or constructed personal property.

As of the date of issue of the Bonds, it is my opinion that at least 75% of the available construction proceeds of the Issue will be used for construction expenditures as defined above.

IN WITNESS WHEREOF, I hereunto affix my official signature this 28th day of May, 2020.

City of Pella, Iowa

By: _____

Title: Finance Director



THE
CITY of PELLA

STAFF MEMO TO COUNCIL

ITEM NO: C-3

SUBJECT: Resolution Approving and Authorizing a form of Loan Agreement and Authorizing and Providing for the Issuance and Securing the Payment of \$1,800,000 Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B and Providing a method of Payment of the Notes

DATE: May 12, 2020

BACKGROUND:

The proposed resolution approves and authorizes a loan agreement for \$1,800,000 of Communication Utility Revenue Loan Notes for the City's municipal telecommunications utility, known as Pella Fiber. These notes will be utilized to cover the startup or "runway" costs associated with the utility.

Uses of Funds

Over the past several years, the City made material efforts to plan for the implementation of the new utility. As part of the process, the City has worked with engineers, legal counsel, and financial advisors to develop a plan for implementation. In order to carry out the implementation of the utility, expenses must be incurred prior to the generation of any revenue and, therefore, require the City to borrow the necessary funds in the interim. Based on recommendations from staff, as well as feedback from technical and financial advisors, the recommended loan agreement amount is \$1,800,000.

Key Terms

The City's financial advisor has worked diligently with local and regional lenders who had interest in supporting such an important community project. Marion County Bank has stepped forward in supporting the project through the purchasing of Series 2020B. In doing so, the City was able to realize a competitive interest rate and financing terms, particularly given the current economic conditions and the infancy of the utility. The following are some of the key terms included in the agreement:

Total amount:	Up to \$1,800,000
Interest rate:	4% fixed for 7 years; resetting on June 1, 2027
Closing date:	May 28, 2020
Maturity date:	June 1, 2035

In addition to the key terms listed above, it's also important to note that the loan will operate on a draw-down method, which means as expenses are incurred, they will be submitted to the lender for reimbursement. In the event less than the full amount is advanced to the City, the annual principal payments will be adjusted through the end of life of issuance. Additionally, the loan is callable at any time without penalty.

As noted above, the interest rate on the proposed issuance is 4% and resets after seven years. In June of 2027, the interest rate will reset to the average of the five-year daily treasury yield curve rate plus 3.25%. The agreement also limits the minimum interest rate to 4% and maximum rate to 7.5%. The loan includes capitalized interest through December 1, 2021 with the first principal payment occurring on June 1, 2024.

The agreement also requires certain security pledges which are customary for municipal utility borrowing. For series 2020B, the security pledge includes net revenue requirements for the utility. Specifically, the pledge requires a rate maintenance coverage of 110% by June 30, 2023. This means the utility must set rates that generate \$1.10 of net revenue for every \$1.00 of debt service. Additionally, for the City to issue any future debt, the utility must be able to meet the coverage requirement of both the current and the proposed debt issuance.

Annual Payments

As noted above, in order to minimize the immediate financial impact of the annual debt service payments on the operations of the utility, the loan agreement capitalizes the interest through December 1, 2021. Additionally, the repayment schedule does not include an initial principal payment until June 1, 2024, at which time the annual principal payments will increase gradually through June 1, 2026, stabilizing thereafter. Once full principal and interest payments begin, assuming the utility draws the full loan amount, the annual debt service payments are anticipated to amount to just over \$200,000 per year.

Summary

In summary, the City Council has worked diligently over the past several years to prepare the City for the development of a telecommunications utility. Approving this resolution would provide the needed funds to support the operating (runway) costs until the utility begins to generate sufficient revenue.

ATTACHMENTS: Resolution
REPORT PREPARED BY: Finance Director
REPORT REVIEWED BY: City Administrator, City Clerk
RECOMMENDATION: Approve resolution

Council Member _____ introduced the following Resolution entitled "A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$1,800,000 TAXABLE COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020B, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES ", and moved its adoption. Council Member _____ seconded the motion to adopt. The roll was called and the vote was:

AYES: _____

NAYS: _____

Whereupon the Mayor declared the following Resolution duly adopted:

Resolution No. 6128

A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$1,800,000 TAXABLE COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020B, OF THE CITY OF PELLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES

WHEREAS, the City Council of the City of Pella, State of Iowa, sometimes hereinafter referred to as the "Issuer", has heretofore established charges, rates and rentals for services which are and will continue to be collected as system revenues of the Municipal Communications Utility, sometimes hereinafter referred to as the "System", and the revenues have not been pledged and are available for the payment of Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B, subject to the following premises; and

WHEREAS, Issuer proposes to issue its Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B, to the extent of \$1,800,000, for the purpose of defraying the costs of the project as set forth in Section 3 of this Resolution; and, it is deemed necessary and advisable and in the best interests of the City that a form of Loan Agreement be approved and authorized; and

WHEREAS, the notice of intention of Issuer to take action for the issuance of \$1,800,000 Taxable Communications Utility Revenue Notes, Series 2020B, has heretofore been duly published and no objections to such proposed action have been filed:

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PELLA, IN THE COUNTY OF MARION, STATE OF IOWA:

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

- "Additional Obligations" shall mean any Communications Utility revenue notes or bonds issued on a parity with the Notes in accordance with the provisions of this Resolution.
- "Capitalized Interest Fund" shall mean the fund required to be established by this Resolution for the deposit of the portion of the proceeds of the Notes to be used for capitalized interest.
- "Clerk" shall mean the City Clerk, or such other officer of the successor Governing Body as shall be charged with substantially the same duties and responsibilities.
- "Fiscal Year" shall mean the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve-month period adopted by the Governing Body or by law as the official accounting period of the System. Requirements of a Fiscal Year as expressed in this Resolution shall exclude any payment of principal or interest falling due on the first day of the Fiscal Year and include any payment of principal or interest falling due on the first day of the succeeding Fiscal Year, except to the extent of any conflict with the terms of the Outstanding Bonds while the same remain outstanding.
- "Governing Body" shall mean the City Council of the City, or its successor in function with respect to the operation and control of the System.
- "Independent Auditor" shall mean an independent firm of Certified Public Accountants or the Auditor of State.
- "Issuer" and "City" shall mean the City of Pella, State of Iowa.
- "Lender" shall mean the Original Purchaser.
- "Loan Agreement" shall mean a Loan Agreement between the Issuer and a lender or lenders in substantially the form attached to and approved by this Resolution.
- "Net Revenues" shall mean gross earnings of the System after deduction of current expenses; "Current Expenses" shall mean and include the reasonable and

necessary cost of operating, maintaining, repairing and insuring the System, including purchases at wholesale, if any, salaries, wages, and costs of materials and supplies but excluding depreciation and principal of and interest on the Notes and any Parity Obligations or payments to the various funds established herein; capital costs, depreciation and interest or principal payments are not System expenses.

- "Notes" shall mean \$1,800,000 Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B, authorized to be issued by this Resolution.
- "Original Purchaser" shall mean the purchaser of the Notes from Issuer at the time of their original issuance.
- "Outstanding Obligations" shall mean the Communications Utility Revenue Capital Loan Notes, Series 2020A, dated May 28, 2020, and the Communications Utility Revenue Capital Loan Notes, Series 2020G, dated May 28, 2020, each issued contemporaneously with the Notes in accordance with Resolutions adopted May 12, 2020, not to exceed \$4,326,000 and not to exceed \$ 4,326,000, respectively, of which obligations are outstanding and unpaid and remain a lien on the Net Revenues of the System. For the avoidance of doubt, the principal amount of the Series 2020A Notes and the Series 2020G Notes will be advanced on a draw down basis and the total principal amount advanced under the Series 2020A Notes and the Series 2020G Notes shall be outstanding obligations on parity with the total principal amount advanced under the Notes.
- "Parity Obligations" shall mean Communications Utility revenue notes, bonds or other obligations payable solely from the Net Revenues of the System on an equal basis with the Notes herein authorized to be issued, and shall include Additional Obligations as authorized to be issued under the terms of this Resolution and the Outstanding Obligations.
- "Paying Agent" shall mean the Director of Finance of Pella, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein as Issuer's agent to provide for the payment of principal of and interest on the Notes as the same shall become due.
- "Project Fund" shall mean the fund required to be established by this Resolution for the deposit of the proceeds of the Notes.
- "Registrar" shall mean the Director of Finance of Pella, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein with respect to maintaining a register of the owners of the Notes. Unless otherwise specified, the Registrar shall also act as Transfer Agent for the Notes.
- "Resolution" shall mean this resolution authorizing the issuance of the Notes.

- "System" shall mean the Municipal Communications Utility of the Issuer and all properties of every nature hereinafter owned by the Issuer comprising part of or used as a part of the System, including all improvements and extensions made by Issuer while any of the Notes or Parity Obligations remain outstanding; all real and personal property; and all appurtenances, contracts, leases, franchises and other intangibles.
- "Treasurer" shall mean the Director of Finance or such other officer as shall succeed to the same duties and responsibilities with respect to the recording and payment of the Notes issued hereunder.

Section 2. Authority. The Loan Agreement and the Notes authorized by this Resolution shall be issued pursuant to Sections 384.24A and 384.83, of the City Code of Iowa, and in compliance with all applicable provisions of the Constitution and laws of the State of Iowa. The Loan Agreement shall be substantially in the form attached to this Resolution and is authorized to be executed and issued on behalf of the Issuer by the Mayor and attested by the City Clerk.

The Mayor and the Clerk are authorized and directed to execute and deliver all other documents which may be required under the terms of the Loan Agreement, or by bond counsel, and to take any other action as may be required or deemed appropriate for the performance of the duties imposed thereby to carry out the purposes thereof.

Section 3. Authorization and Purpose. There are hereby authorized to be issued, negotiable, serial, fully registered Taxable Communications Utility Revenue Capital Loan Notes of the City of Pella, in the County of Marion, State of Iowa, in the aggregate amount of \$1,800,000, for the purpose of paying costs of improvements and extensions to the Municipal Communications Utility, including working capital during the construction, start-up period and initial operation of the communications utility system.

Section 4. Source of Payment. The Notes herein authorized and Parity Obligations and the interest thereon shall be payable solely and only out of the net earnings of the System and shall be a first lien on the future Net Revenues of the System. The Notes shall not be general obligations of the Issuer nor shall they be payable in any manner by taxation and the Issuer shall be in no manner liable by reason of the failure of the net revenues to be sufficient for the payment of the Notes.

Section 5. Note Details. Taxable Communications Utility Revenue Capital Loan Notes, Series 2020B, of the City in the amount of \$1,800,000, shall be issued to evidence the obligations of the Issuer under the Loan Agreement pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa for the aforesaid purpose. The Notes shall be designated "\$1,800,000 TAXABLE COMMUNICATIONS UTILITY REVENUE CAPITAL LOAN NOTES, SERIES 2020B", be dated May 28, 2020, and bear interest from the date of each advance thereunder, until payment thereof, at the office of the Paying Agent, such interest payable on December 1, 2020, and semiannually thereafter on the 1st day of June and December in each year until maturity at the rates hereinafter provided. The Notes shall be initially issued as a single note payable to the Lender.

The Notes shall be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the Clerk, and impressed or printed with the seal of the City and shall be fully registered as to both principal and interest as provided in this Resolution; principal, interest and premium, if any, shall be payable at the office of the Paying Agent by mailing of a check to the registered owner of the Note. The Notes shall be in the denomination of \$100,000 or integral multiples of \$1,000 in excess thereof.

The Lender will make advances under the Notes upon the request of the Issuer to pay or reimburse the Issuer for payment of Project costs, costs of issuance and capitalized interest. Interest through December 1, 2021, may be capitalized through advances under the Note. There shall be an initial advance at the time of closing, on the Note Date of the Notes, in an amount no less than \$50,001 or the costs of issuance, whichever is greater. The Issuer may request advances monthly or as otherwise allowed by Lender.

Advances of principal in an amount not exceeding \$1,800,000 may be made under the Notes from time to time in accordance with this Resolution beginning on the Note Date and continuing through May 15, 2023 (the “Draw Period”). The amount and date of each advance shall be noted by the Lender on a schedule attached to the Notes or in the internal records of Lender.

The Notes shall mature and bear interest as follows:

Term Note #1

Principal Amount*	Interest Rate	Maturity June 1st
\$50,000	4.000%	2024
\$75,000	4.000%	2025
\$139,000	4.000%	2026
\$145,000	4.000%	2027
\$151,000	**	2028
\$157,000	**	2029
\$163,000	**	2030
\$170,000	**	2031
\$176,000	**	2032
\$184,000	**	2033
\$191,000	**	2034
\$199,000	**	2035***

* If less than \$1,800,000 is advanced under the Notes, the annual principal payments shall be prorated at the end of the Draw Period (May 15, 2023) to reflect the total amount advanced under the Notes. For example, if \$1,500,000 is advanced under the Notes, the June 1, 2024 maturity shall be \$41,666.67, which equals \$50,000 x (\$1,500,000/\$1,800,000).

** The interest rate will be 4.000% through June 1, 2027, at which time the rate will adjust to the CMT Rate (as defined herein) plus 3.25%, subject to a ceiling of 7.50% and a floor of 4.000%, as set forth herein (the “Adjusted Interest Rate”).

*** Final maturity.

On the final Maturity Date, all remaining outstanding principal of the Notes plus accrued interest thereon shall be immediately due and payable.

Interest Rate: The outstanding principal of the Notes shall bear interest at the initial rate (the "Initial Interest Rate") of 4.000% per annum from the Note Date of the Notes until June 1, 2027. The Interest Rate on the Notes will be adjusted on June 1, 2027, (the "Interest Adjustment Date"), to a rate (the "Adjusted Interest Rate") per annum determined by the Lender to be equal to the Average CMT Rate plus 3.25%; provided, however, that the Adjusted Interest Rate shall be subject to a ceiling of 7.50% and a floor of the Initial Interest Rate. The "Average CMT Rate" means the average of the 5-year Daily Treasury Yield Curve Rate (commonly referred to as "Constant Maturity Treasury" rates, or CMT rates) and the 7-year Daily Treasury Yield Curve Rate, each as reported at www.treasury.gov on the Interest Adjustment Date, or on the last business date preceding the Interest Adjustment Date if the Interest Adjustment Date is not a business date. In the Event that the Average CMT Rate cannot be ascertained by the Lender due to changes in reports, publications, market conditions or regulatory requirements, then the Lender shall select a substitute rate or index that is reasonably equivalent to the Average CMT Rate and published in the Wall Street Journal.

Section 6. Redemption. The Notes may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Section 7. Registration of Notes; Appointment of Registrar; Transfer; Ownership; Delivery; and Cancellation.

(a) Registration. The ownership of Notes may be transferred only by the making of an entry upon the books kept for the registration and transfer of ownership of the Notes, and in no other way. The Director of Finance is hereby appointed as Note Registrar under the terms of this Resolution. Registrar shall maintain the books of the Issuer for the registration of ownership of the Notes for the payment of principal of and interest on the Notes as provided in this Resolution. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code subject to the provisions for registration and transfer contained in the Notes and in this Resolution.

(b) Transfer. The ownership of any Note may be transferred only upon the Registration Books kept for the registration and transfer of Notes and only upon surrender thereof at the office of the Registrar together with an assignment duly executed

by the holder or his duly authorized attorney in fact in such form as shall be satisfactory to the Registrar, along with the address and social security number or federal employer identification number of such transferee (or, if registration is to be made in the name of multiple individuals, of all such transferees). In the event that the address of the registered owner of a Note (other than a registered owner which is the nominee of the broker or dealer in question) is that of a broker or dealer, there must be disclosed on the Registration Books the information pertaining to the registered owner required above. Upon the transfer of any such Note, a new fully registered Note, of any denomination or denominations permitted by this Resolution in aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Note, and bearing interest at the same rate and maturing on the same date or dates shall be delivered by the Registrar.

(c) Registration of Transferred Notes. In all cases of the transfer of the Notes, the Registrar shall register, at the earliest practicable time, on the Registration Books, the Notes, in accordance with the provisions of this Resolution.

(d) Ownership. As to any Note, the person in whose name the ownership of the same shall be registered on the Registration Books of the Registrar shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Notes and the premium, if any, and interest thereon shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note, including the interest thereon, to the extent of the sum or sums so paid.

(e) Cancellation. All Notes which have been redeemed shall not be reissued but shall be cancelled by the Registrar. All Notes which are cancelled by the Registrar shall be destroyed and a Certificate of the destruction thereof shall be furnished promptly to the Issuer; provided that if the Issuer shall so direct, the Registrar shall forward the cancelled Notes to the Issuer.

(f) Non-Presentation of Notes. In the event any payment check, wire, or electronic transfer of funds representing payment of principal of or interest on the Notes is returned to the Paying Agent or if any note is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such principal of or interest on Notes shall have been made available to the Paying Agent for the benefit of the owner thereof, all liability of the Issuer to the owner thereof for such interest or payment of such Notes shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the owner of such Notes who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Resolution or on, or with respect to, such interest or Notes. The Paying Agent's obligation to hold such funds shall continue for a period equal to two years and six months following the date on which such interest or principal became due, whether at maturity, or at the date fixed for redemption thereof, or otherwise, at which time the Paying Agent shall surrender any remaining funds so held to the Issuer, whereupon any

claim under this Resolution by the Owners of such interest or Notes of whatever nature shall be made upon the Issuer.

(g) Registration and Transfer Fees. The Registrar may furnish to each owner, at the Issuer's expense, one note for each annual maturity. The Registrar shall furnish additional Notes in lesser denominations (but not less than the minimum denomination) to an owner who so requests.

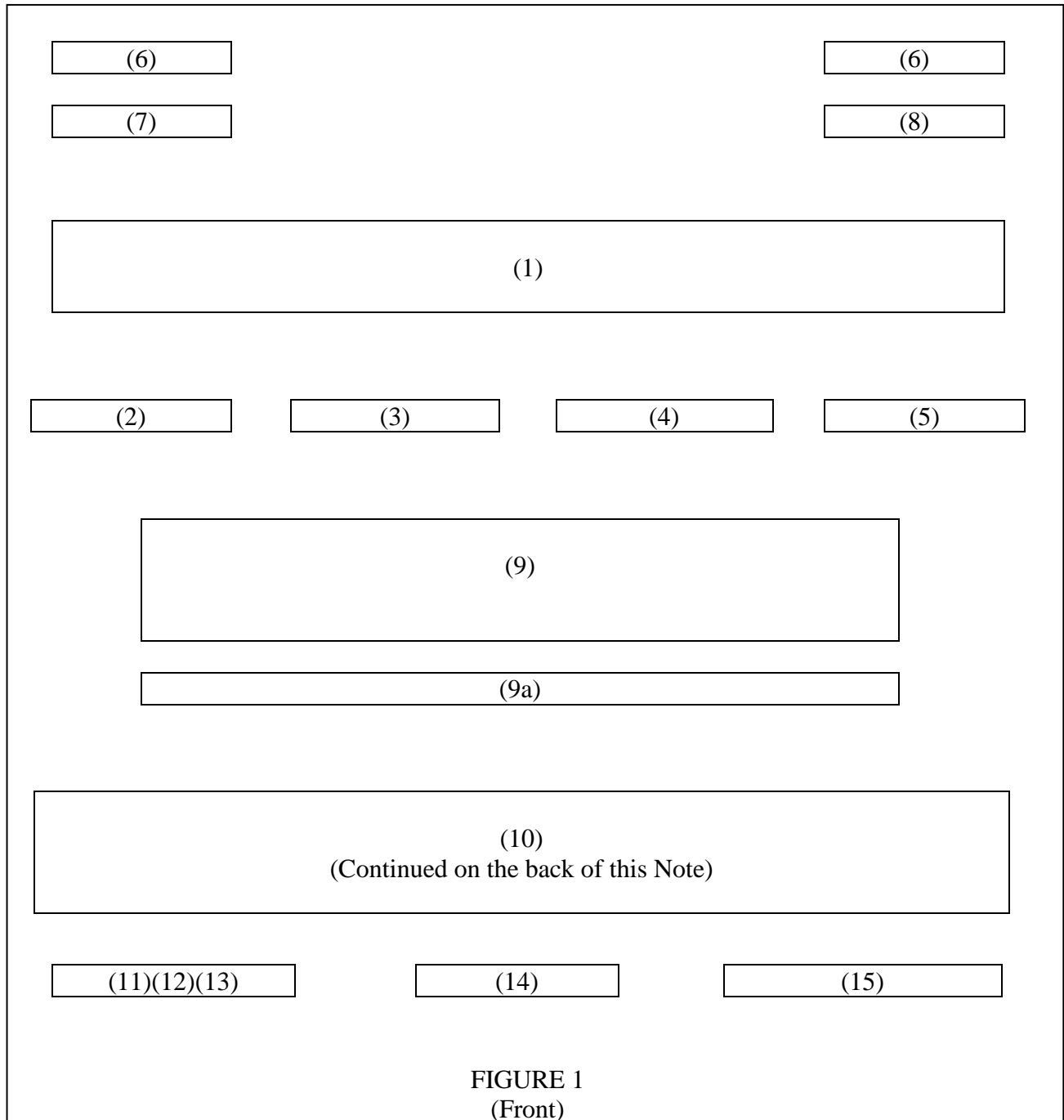
Section 8. Reissuance of Mutilated, Destroyed, Stolen or Lost Notes. In case any outstanding Note shall become mutilated or be destroyed, stolen or lost, the Issuer shall at the request of Registrar authenticate and deliver a new Note of like tenor and amount as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note to Registrar, upon surrender of such mutilated Note, or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar and Issuer that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and Issuer with satisfactory indemnity and complying with such other reasonable regulations as the Issuer or its agent may prescribe and paying such expenses as the Issuer may incur in connection therewith.

Section 9. Record Date. Payments of principal and interest, otherwise than upon full redemption, made in respect of any Notes, shall be made to the registered holder thereof or to their designated Agent as the same appear on the books of the Registrar on the 15th day of the month preceding the payment date. All such payments shall fully discharge the obligations of the Issuer in respect of such Notes to the extent of the payments so made. Payment of principal shall only be made upon surrender of the Notes to the Paying Agent.

Section 10. Execution, Authentication and Delivery of the Notes. Upon the adoption of this Resolution, the Mayor and Clerk shall execute and deliver the Notes to the Registrar, who shall authenticate the Notes and deliver the same to or upon order of the Original Purchaser. No Note shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Registrar shall duly endorse and execute on such Note a Certificate of Authentication substantially in the form of the Certificate herein set forth. Such Certificate upon any Note executed on behalf of the Issuer shall be conclusive evidence that the Note so authenticated has been duly issued under this Resolution and that the holder thereof is entitled to the benefits of this Resolution.

Section 11. Right to Name Substitute Paying Agent or Registrar. Issuer reserves the right to name a substitute, successor Registrar or Paying Agent upon giving prompt written notice to each registered Noteholder.

Section 12. Form of Note. Notes shall be printed in substantial compliance with standards proposed by the American Standards Institute substantially in the form as follows:



<p>(10) (Continued)</p>		<p>(16)</p>
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FIGURE 2
(Back)

The text of the Notes to be located thereon at the item numbers shown shall be as follows:

Item 1, figure 1= "STATE OF IOWA"
"COUNTY OF MARION"
"CITY OF PELLA"
"MUNICIPAL COMMUNICATIONS UTILITY"
"TAXABLE COMMUNICATIONS UTILITY REVENUE
CAPITAL LOAN NOTE"
"SERIES 2020B"

Item 2, figure 1 = Rate: Variable
Item 3, figure 1 = Maturity: June 1, 2035
Item 4, figure 1 = Note Date: May 28, 2020
Item 5, figure 1 = CUSIP No.: N/A
Item 6, figure 1 = "Registered"
Item 7, figure 1 = Note No. 1
Item 8, figure 1 = Principal Amount: \$1,800,000

Item 9, figure 1= The City of Pella, State of Iowa, a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of Iowa (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, on the maturity date indicated above, to

Item 9A, figure 1 = (Registration panel to be completed by Registrar or Printer with name of Registered Owner).

Item 10, figure 1 = or registered assigns, the principal sum of ONE MILLION EIGHT HUNDRED THOUSAND DOLLARS in lawful money of the United States of America, on the maturity date shown above, only upon presentation and surrender hereof at the office of the Director of Finance, Paying Agent of this issue, or its successor, with interest on such sum from the date hereof until paid at the rate per annum specified above, payable on December 1, 2020, and semiannually thereafter on the 1st day of June and December in each year.

Interest and principal shall be paid to the registered holder of the Note as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

THE HOLDERS OF THIS NOTE SHOULD TREAT THE INTEREST AS SUBJECT TO FEDERAL INCOME TAXATION.

This Note is issued pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa, for the purpose of paying costs of improvements and extensions to the Municipal Communications Utility, including working capital during the construction, start-up period and initial operation of the communications utility system, and in order to evidence the obligations of

the Issuer under a certain Loan Agreement, in conformity to a Resolution of the City Council of the City duly passed and approved. For a complete statement of the revenues and funds from which and the conditions under which this Note is payable, a statement of the conditions under which additional Notes or Bonds of equal standing may be issued, and the general covenants and provisions pursuant to which this Note is issued, reference is made to the above described Loan Agreement and Resolution.

The Notes shall mature and bear interest as follows:

Term Note #1

<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Maturity June 1st</u>
\$50,000	4.000%	2024
\$75,000	4.000%	2025
\$139,000	4.000%	2026
\$145,000	4.000%	2027
\$151,000	**	2028
\$157,000	**	2029
\$163,000	**	2030
\$170,000	**	2031
\$176,000	**	2032
\$184,000	**	2033
\$191,000	**	2034
\$199,000	**	2035***

* If less than \$1,800,000 is advanced under the Notes, the annual principal payments shall be prorated at the end of the Draw Period (May 15, 2023) to reflect the total amount advanced under the Notes. For example, if \$1,500,000 is advanced under the Notes, the June 1, 2024 maturity shall be \$41,666.67, which equals \$50,000 x (\$1,500,000/\$1,800,000).

** The interest rate will be 4.000% through June 1, 2027, at which time the rate will adjust to the CMT Rate (as defined herein) plus 3.25%, subject to a ceiling of 7.50% and a floor of 4.000%, as set forth herein (the “Adjusted Interest Rate”).

*** Final maturity.

On the final Maturity Date, all remaining outstanding principal of the Notes plus accrued interest thereon shall be immediately due and payable.

Interest Rate: The outstanding principal of the Notes shall bear interest at the initial rate (the “Initial Interest Rate”) of 4.000% per annum from the Note Date of the Notes until June 1, 2027. The Interest Rate on the Notes will be adjusted on June 1, 2027, (the “Interest Adjustment Date”), to a rate (the “Adjusted Interest Rate”) per annum determined by the Lender to be equal to the Average CMT Rate plus 3.25%; provided, however, that the Adjusted Interest Rate shall be subject to a ceiling of 7.50% and a floor of the Initial Interest Rate. The “Average CMT Rate” means the average of the 5-year Daily Treasury Yield Curve Rate (commonly referred to as

“Constant Maturity Treasury” rates, or CMT rates) and the 7-year Daily Treasury Yield Curve Rate, each as reported at www.treasury.gov on the Interest Adjustment Date, or on the last business date preceding the Interest Adjustment Date if the Interest Adjustment Date is not a business date. In the Event that the Average CMT Rate cannot be ascertained by the Lender due to changes in reports, publications, market conditions or regulatory requirements, then the Lender shall select a substitute rate or index that is reasonably equivalent to the Average CMT Rate and published in the Wall Street Journal.

The Notes may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Ownership of this Note may be transferred only by transfer upon the books kept for such purpose by the Director of Finance, the Registrar. Such transfer on the books shall occur only upon presentation and surrender of this Note at the office of the Registrar as designated below, together with an assignment duly executed by the owner hereof or his duly authorized attorney in the form as shall be satisfactory to the Registrar. Issuer reserves the right to substitute the Registrar and Paying Agent but shall, however, promptly give notice to registered Noteholders of such change. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code and subject to the provisions for registration and transfer contained in the Note Resolution.

This Note and the series of which it forms a part, other obligations ranking on a parity therewith, and any Additional Obligations which may be hereafter issued and outstanding from time to time on a parity with the Notes, as provided in the Note Resolution and Loan Agreement of which notice is hereby given and which are hereby made a part hereof, are payable from and secured by a pledge of the Net Revenues of the Municipal Communications Utility (the "System"), as defined and provided in the Resolution. There has heretofore been established and the City covenants and agrees that it will maintain just and equitable rates or charges for the use of and service rendered by the System in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and for the establishment of a sufficient sinking fund to meet the principal of and interest on this series of Notes, and other Obligations ranking on a parity therewith, as the same become due. This Note is not payable in any manner by taxation and under no circumstances shall the City be in any manner liable by reason of the failure of the Net Revenues to be sufficient for the payment hereof.

And it is hereby represented and certified that all acts, conditions and things requisite, according to the laws and Constitution of the State of Iowa, to exist, to be had, to be done, or to be performed precedent to the lawful issue of this Note, have been existent, had, done and performed as required by law.

IN TESTIMONY WHEREOF, the City by its City Council has caused this Note to be signed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its Clerk, with the seal of the City printed or impressed hereon, and authenticated by the manual signature of an authorized representative of the Registrar, the Director of Finance, Pella, Iowa.

- Item 11, figure 1 = Date of Authentication:
- Item 12, figure 1 = This is one of the Notes described in the within mentioned Resolution, as registered by the Director of Finance

DIRECTOR OF FINANCE, Registrar

By: _____
Authorized Signature

- Item 13, figure 1 = Registrar and Transfer Agent: Director of Finance
- Paying Agent: Director of Finance

SEE REVERSE FOR CERTAIN DEFINITIONS

- Item 14, figure 1 = (Seal)
- Item 15, figure 1 = (Signature Block)

CITY OF PELLA, STATE OF IOWA

By: _____ (manual or facsimile signature)
Mayor

ATTEST:

By: _____ (manual or facsimile signature)
City Clerk

- Item 17, figure 1 = (Assignment Block)
(Information Required for Registration)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ (Social Security or Tax Identification No. _____) the within Note and does hereby irrevocably constitute and appoint _____ attorney in fact to transfer the said Note on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated this _____ day of _____, _____.

(Person(s) executing this Assignment sign(s) here)

SIGNATURE)
GUARANTEED) _____

IMPORTANT - READ CAREFULLY

The signature(s) to this Power must correspond with the name(s) as written upon the face of the Certificate(s) or Note(s) in every particular without alteration or enlargement or any change whatever. Signature guarantee must be provided in accordance with the prevailing standards and procedures of the Registrar and Transfer Agent. Such standards and procedures may require signature to be guaranteed by certain eligible guarantor institutions that participate in a recognized signature guarantee program.

INFORMATION REQUIRED FOR REGISTRATION OF TRANSFER

Name of Transferee(s) _____

Address of Transferee(s) _____

Social Security or Tax Identification

Number of Transferee(s) _____

Transferee is a(n):

Individual* _____

Corporation _____

Partnership _____

Trust _____

* If the Note is to be registered in the names of multiple individual owners, the names of all such owners and one address and social security number must be provided.

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with rights of survivorship and not as tenants in common
IA UNIF TRANS MIN ACT - Custodian
(Cust) (Minor)
Under Iowa Uniform Transfers to Minors Act.....
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE ABOVE LIST

Section 13. Equality of Lien. The timely payment of principal of and interest on the Notes and Parity Obligations shall be secured equally and ratably by the Net Revenues of the System without priority by reason of number or time of sale or delivery; and the revenues of the System are hereby irrevocably pledged to the timely payment of both principal and interest as the same become due.

Section 14. Application of Note Proceeds – Project Fund. Proceeds of the Notes shall be applied as follows:

- ◆ An amount equal to accrued interest shall be deposited in the Sinking Fund for application to the first payment of interest on the Notes.
- ◆ \$108,600 of the Proceeds of the Notes shall be deposited into the Capitalized Interest Fund of the Issuer to be applied toward interest on the Notes on the interest payment dates through and including December 1, 2021.
- ◆ The balance of the proceeds shall be deposited to the Project Fund and expended therefrom for the purposes of issuance.

The Project Fund and the Capitalized Interest Fund shall be invested in accordance with Section 18 of this Resolution. Earnings on investments of the Project Fund shall be deposited in and expended from the Project Fund. Any amounts on hand in the Project Fund shall be available for the payment of the principal of or interest on the Notes at any time that other funds of the System shall be insufficient to the purpose, in which event such funds shall be repaid to the Project Fund at the earliest opportunity. Any balance on hand in the Project Fund and not immediately required for its purposes may be invested not inconsistent with limitations provided by law, the Internal Revenue Code and this Resolution.

Section 15. User Rates. There has heretofore been established and published as required by law, just and equitable rates or charges for the use of the service rendered by the System. The rates or charges shall be paid by the owner of each and every lot, parcel of real estate, or building that is connected with and uses the System, by or through any part of the System or that in any way uses or is served by the System. So long as the Notes are outstanding and unpaid the rates or charges to consumers of services of the System shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and

for the payment of principal and interest on the Notes and Parity Notes and obligations as the same fall due, and to provide for the creation of reserves as hereinafter provided.

Any revenues paid and collected for the use of the System and its services by the Issuer or any department, agency or instrumentality of the Issuer shall be used and accounted for in the same manner as any other revenues derived from the operations of the System.

Section 16. Application of Revenues. From and after the delivery of any Notes, and as long as any of the Notes or Parity Obligations shall be outstanding and unpaid either as to principal or as to interest, or until all of the Notes and Parity Obligations then outstanding shall have been discharged and satisfied in the manner provided in this Resolution, the entire income and revenues of the System shall be deposited as collected in a fund to be known as the Communications Utility Revenue Fund (the "Revenue Fund"), and shall be disbursed only as follows:

(a) Operation and Maintenance Fund. Money in the Revenue Fund shall first be disbursed to make deposits into a separate and special fund to pay current expenses. The fund shall be known as the Communications Utility Revenue Operation and Maintenance Fund (the "Operation and Maintenance Fund"). There shall be deposited in the Operation and Maintenance Fund each month an amount sufficient to meet the current expenses of the month plus an amount equal to 1/12th of expenses payable on an annual basis such as insurance. After the first day of the month, further deposits may be made to this account from the Revenue Fund to the extent necessary to pay current expenses accrued and payable to the extent that funds are not available in the Surplus Fund.

(b) Sinking Fund. Money in the Revenue Fund shall next be disbursed to make deposits into a separate and special fund to pay the principal and interest requirements of the Fiscal Year on the Notes and Parity Obligations. The fund shall be known as the Communications Utility Revenue Note and Interest Sinking Fund (the "Sinking Fund"). The required amount to be deposited in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date on the then outstanding Notes and Parity Obligations, plus the equal monthly amount necessary to pay in full the installment of principal coming due on such Notes on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Notes and Parity Obligations as the same shall become due and payable.

(c) Subordinate Obligations. Money in the Revenue Fund may next be used to pay principal of and interest on (including reasonable reserves therefor) any other obligations which by their terms shall be payable from the revenues of the System, but subordinate to the Notes and Parity Obligations, and which have been issued for the purposes of extensions and improvements to the System or to retire the Notes or Parity

Obligations in advance of maturity, or to pay for extraordinary repairs or replacements to the System.

(d) Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month may be deposited in any of the funds created by this Resolution, to pay for extraordinary repairs or replacements to the System, or may be used to pay or redeem the Notes or Parity Obligations, any of them, or for any lawful purpose.

Money in the Revenue Fund shall be allotted and paid into the various funds and accounts hereinbefore referred to in the order in which the funds are listed, on a cumulative basis on the 10th day of each month, or on the next succeeding business day when the 10th shall not be a business day; and if in any month the money in the Revenue Fund shall be insufficient to deposit or transfer the required amount in any of the funds or accounts, the deficiency shall be made up in the following month or months after payments into all funds and accounts enjoying a prior claim to the revenues shall have been met in full. The provisions of this Section shall not be construed to require the Issuer to maintain separate bank accounts for the funds created by this Section; except the Sinking Fund and the Reserve Fund shall be maintained in a separate account but may be invested in conjunction with other funds of the City but designated as a trust fund on the books and records of the City.

Section 17. Outstanding Obligations. Nothing in this Resolution shall be construed to impair the rights vested in the Outstanding Obligations. The amounts herein required to be paid into the various funds named in this Resolution shall be inclusive of payments required in respect to the Outstanding Obligations. The provisions of the resolution or resolutions referred to in Section 1 of this Resolution and the provisions of this Resolution are to be construed wherever possible so that the same will not be in conflict. In the event such construction is not possible, the provisions of the resolution first adopted shall prevail until such time as the Notes authorized by the resolution have been paid in full or otherwise satisfied as therein provided at which time the provisions of this Resolution shall again prevail.

Section 18. Investments. All of the funds provided by this Resolution may be invested only in investments permitted by Chapter 12B, Code of Iowa, 2020, as amended, or deposited in financial institutions which are members of the Federal Deposit Insurance Corporation or its equivalent successor, and the deposits in which are insured thereby and all such deposits exceeding the maximum amount insured from time to time by FDIC or its equivalent successor in any one financial institution shall be continuously secured in compliance with Chapter 12C of the Code of Iowa, 2020, as amended, or otherwise by a valid pledge of direct obligations of the United States Government having an equivalent market value. All such interim investments shall mature before the date on which the moneys are required for the purposes for which the fund was created or otherwise as herein provided but in no event maturing in more than three years in the case of the Reserve Fund.

All income derived from such investments shall be deposited in the Revenue Fund and shall be regarded as revenues of the System. Investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective fund was created.

Section 19. Covenants Regarding the Operation of the System. The Issuer hereby covenants and agrees with each and every holder of the Notes and Parity Obligations:

(a) Maintenance and Efficiency. The Issuer will maintain the System in good condition and operate it in an efficient manner and at reasonable cost.

(b) Sufficiency of Rates. On or before the beginning of each Fiscal Year *commencing with Fiscal Year 2023* the Governing Body will adopt or continue in effect rates for all services rendered by the System determined to be sufficient to produce Net Revenues for the next succeeding Fiscal Year adequate to pay principal and interest requirements and create reserves as provided in this Resolution but not less than 110 percent of the principal and interest requirements of the Fiscal Year. No free use of the System by the Issuer or any department, agency or instrumentality of the Issuer shall be permitted except upon the determination of the Governing Body that the rates and charges otherwise in effect are sufficient to provide Net Revenues at least equal to the requirements of this subsection.

(c) Insurance. That the Issuer shall maintain insurance for the benefit of the Noteholders on the insurable portions of the System of a kind and in an amount which normally would be carried by private companies engaged in a similar kind of business. The proceeds of any insurance, except public liability insurance, shall be used to repair or replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in the Revenue Fund.

(d) Accounting and Audits. The Issuer will cause to be kept proper books and accounts adapted to the System and in accordance with generally accepted accounting practices, and will diligently act to cause the books and accounts to be audited annually and reported upon not later than 270 days after the end of each Fiscal Year by an Independent Auditor and will provide copies of the audit report to the holders of any of the Notes and Parity Obligations upon request. The holders of any of the Notes and Parity Obligations shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Issuer relating thereto.

(e) State Laws. The Issuer will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Iowa, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will segregate the revenues of the System and apply the revenues to the funds specified in this Resolution.

(f) Property. The Issuer will not sell, lease, mortgage or in any manner dispose of the System, or any capital part thereof, including any and all extensions and additions that may be made thereto, until satisfaction and discharge of all of the Notes and Parity Obligations shall have been provided for in the manner provided in this Resolution; provided, however, that this covenant shall not be construed to prevent the disposal by the Issuer of property which in the judgment of its Governing Body has

become inexpedient or unprofitable to use in connection with the System, or if it is to the advantage of the System that other property of equal or higher value be substituted therefor, and provided further that the proceeds of the disposition of such property shall be placed in a revolving fund to be used in preference to other sources for capital improvements to the System. Any such proceeds of the disposition of property acquired with the proceeds of the Notes or Parity Obligations shall not be used to pay principal or interest on the Notes or Parity Obligations or for payments into the Sinking.

(g) Fidelity Bond. The Issuer shall maintain fidelity bond coverage in amounts which normally would be carried by private companies engaged in a similar kind of business on each officer or employee having custody of funds of the System.

(h) Additional Charges. The Issuer will require proper connecting charges and/or other security for the payment of service charges.

(i) Budget. The Governing Body of the Issuer shall approve and conduct operations pursuant to a system budget of revenues and current expenses for each Fiscal Year. Such budget shall take into account revenues and current expenses during the current and last preceding Fiscal Year. Copies of such budget and any amendments thereto shall be provided to the holders of any of the Notes upon request.

Section 20. Remedies of Noteholders. Except as herein expressly limited the holder or holders of the Notes and Parity Obligations shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their Notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder.

Section 21. Prior Lien and Parity Obligations. The Issuer will issue no other notes, bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the property or revenues of the System having priority over the Notes or Parity Obligations.

Additional Obligations may be issued on a parity and equality of rank with the Notes with respect to the lien and claim of such Additional Obligations to the revenues of the System and the money on deposit in the funds adopted by this Resolution, for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Notes or Parity Obligations which shall have matured or which shall mature not later than three months after the date of delivery of such refunding obligation and for the payment of which there shall be insufficient money in the Sinking Fund;

(b) For the purpose of refunding any outstanding Notes, Parity Obligations or general obligation notes or making extensions, additions, improvements or replacements to the System, if all of the following conditions shall have been met:

(i) before any such Additional Obligations ranking on a parity are issued, there will have been procured and filed with the City Clerk, a statement of an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, reciting the opinion based upon necessary investigations that the Net Revenues of the System for the preceding Fiscal Year (with adjustments as hereinafter provided) were equal to at least 1.10 times the maximum amount that will be required in any Fiscal Year prior to the longest maturity of any of the Notes or Parity Obligations for both principal of and interest on all Notes and Parity Obligations then outstanding which are payable from the net earnings of the System and the Additional Obligations then proposed to be issued.

For the purpose of determining the Net Revenues of the System for the preceding Fiscal Year as aforesaid, the amount of the gross revenues for such year may be adjusted by an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, so as to reflect any changes in the amount of such revenues which would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the issuance of any such Additional Obligations been in effect during all of such preceding Fiscal Year.

(ii) the Additional Obligations must be payable as to principal and as to interest on the same month and day as the Notes herein authorized.

(iii) for the purposes of this Section, principal and interest falling due on the first day of a Fiscal Year shall be deemed a requirement of the immediately preceding Fiscal Year.

(iv) for the purposes of this Section, general obligation bonds or notes shall be refunded only upon a finding of necessity by the Governing Body and only to the extent the general obligation bonds or notes were issued or the proceeds thereof were expended for the System.

(v) for purposes of this Section, "preceding Fiscal Year" shall be the most recently completed Fiscal Year for which audited financial statements prepared by a certified public accountant are issued and available, but in no event a Fiscal Year which ended more than eighteen months prior to the date of issuance of Additional Obligations.

Section 22. Discharge and Satisfaction of Notes. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Notes and Parity Obligations, or any of them, in any one or more of the following ways:

(a) By paying the Notes or Parity Obligations when the same shall become due and payable; and

(b) By depositing in trust with the Treasurer, or with a corporate trustee designated by the Governing Body for the payment of the obligations and irrevocably appropriated exclusively to that purpose an amount in cash or direct obligations of the United States the maturities and income of which shall be sufficient to retire at maturity, or by redemption prior to maturity on a designated date upon which the obligations may be redeemed, all of such obligations outstanding at the time, together with the interest thereon to maturity or to the designated redemption date, premiums thereon, if any, that may be payable on the redemption of the same; provided that proper notice of redemption of all such obligations to be redeemed shall have been previously published or provisions shall have been made for such publication.

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

Section 23. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the holder or holders of the Notes and Parity Obligations, and after the issuance of any of the Notes no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as provided in the next succeeding Section, until such time as all of the Notes and Parity Obligations, and interest due thereon, shall have been satisfied and discharged as provided in this Resolution.

Section 24. Amendment of Resolution Without Consent. The Issuer may, without the consent of or notice to any of the holders of the Notes and Parity Obligations, amend or supplement this Resolution for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in this Resolution or in the Notes or Parity Obligations; or to comply with any application provision of law or regulation of federal or state agencies; provided, however, that such action shall not materially adversely affect the interests of the holders of the Notes or Parity Obligations;

(b) to grant to or confer upon the holders of the Notes or Parity Obligations any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the holders of the Notes;

(c) to add to the covenants and agreements of the Issuer contained in this Resolution other covenants and agreements of, or conditions or restrictions upon, the Issuer or to surrender or eliminate any right or power reserved to or conferred upon the Issuer in this Resolution; or

(d) to subject to the lien and pledge of this Resolution additional pledged revenues as may be permitted by law.

Section 25. Amendment of Resolution Requiring Consent. This Resolution may be amended from time to time if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the Notes and Parity Obligations at any time outstanding (not including in any case any Notes which may then be held or owned by or for the account of the Issuer, but including such refunding obligations as may have been issued for the purpose of refunding any of such Notes if such refunding obligations shall not then be owned by the Issuer); but this Resolution may not be so amended in such manner as to:

- (a) Make any change in the maturity of interest rate of the Notes, or modify the terms of payment of principal of or interest on the Notes or any of them or impose any conditions with respect to such payment;
- (b) Materially affect the rights of the holders of less than all of the Notes and Parity Obligations then outstanding; and
- (c) Reduce the percentage of the principal amount of Notes, the consent of the holders of which is required to effect a further amendment.

Whenever the Issuer shall propose to amend this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be filed with the Original Purchaser and to be mailed by certified mail to each registered owner of any Note as shown by the records of the Registrar. Such notice shall set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory Resolution is on file in the office of the City Clerk.

Whenever at any time within one year from the date of the mailing of the notice there shall be filed with the City Clerk an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Notes then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory Resolution described in the notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Governing Body of the Issuer may adopt such amendatory Resolution and such Resolution shall become effective and binding upon the holders of all of the Notes and Parity Obligations.

Any consent given by the holder of a Note pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Note during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the City Clerk.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing

such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Notes held by any person executing such instrument and the date of his holding the same may be proved by an affidavit by such person or by a certificate executed by an officer of a bank or trust company showing that on the date therein mentioned such person had on deposit with such bank or trust company the Notes described in such certificate.

Section 26. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions.

Section 27. Repeal of Conflicting Ordinances or Resolutions and Effective Date. All other ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; and this Resolution shall be in effect from and after its adoption.

[Reminder of this page intentionally left blank]

ADOPTED AND APPROVED this _____ day of _____, 2020.

Mayor

ATTEST:

City Clerk



THE
CITY of PELLA

STAFF MEMO TO COUNCIL

ITEM NO: C-4

SUBJECT: Resolution Approving Construction Contract and Bond for the Pella Fiber to the Home Network Project

DATE: May 12, 2020

BACKGROUND:

As background, on April 21, 2020, Council awarded the Fiber to the Home Network project to Excel Utility Contractors for the full build in the amount of \$8,800,161.38. A notice to proceed was issued for only the outside plant portion of the project, which is \$7,402,579.68.

As further background, this project generally consists of extending fiber optic network to all homes and businesses within the corporate limits. The proposed network will allow the City of Pella to provide telecommunications services to our citizens in accordance with the May 2018 referendum which was approved with a 92% support level. The proposed fiber optic network will also be utilized by the electric utility to provide Advanced Metering Infrastructure (AMI) to its customers. Utilization of AMI will allow automation of many of the manual processes currently used to support the City's utilities. This includes automatic and remote measuring of electric usage, connection and disconnection of service, detection of tampering, identifying and isolating outages, as well as monitor voltage.

The proposed project consists of all materials, equipment, transportation, and labor necessary to construct the network's outside plant infrastructure for a PON fiber to the home (FTTH) system. It is important to note, the material does not include any access equipment, which will be bid at a later date.

The resolution under consideration approves the construction contract and performance bond with Excel Utility Contractors.

ATTACHMENTS: Resolution, Contract

REPORT PREPARED BY: City Administration

REPORT REVIEWED BY: City Administrator, City Clerk

RECOMMENDED ACTION: Approve resolution

Council Member _____ introduced the following Resolution entitled "RESOLUTION APPROVING CONSTRUCTION CONTRACT AND BOND", and moved its adoption. Council Member _____ seconded the motion to adopt. The roll was called and the vote was,

AYES: _____

NAYS: _____

Whereupon, the Mayor declared the following Resolution duly adopted:

Resolution No. 6129

**RESOLUTION APPROVING CONSTRUCTION CONTRACT
AND BOND**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PELLA, IOWA:

That the construction contract and bond executed and insurance coverage for the construction of certain public improvements described in general as PELLA FIBER TO THE HOME NETWORK PROJECT, and as described in detail in the plans and specifications heretofore approved, and which have been signed by the Mayor and Clerk on behalf of the City be and the same are hereby approved as follows:

Contractor: Excel Utility Contractors LLC of St. James, MO

Date of contract: April 21, 2020

Bond Surety: \$8,880,161.38

Date of Bond: May 1, 2020

Portion of project: Full build

PASSED AND APPROVED, this 12th day of May, 2020.

Mayor

ATTEST:

City Clerk

CONTRACT

THIS AGREEMENT, made and entered into this 21st day of April, 2020, by and between the City of Pella Municipal Electric Utility, Iowa, party of the first part, hereinafter referred to as the "Owner," and Excel Utility Contractors LLC party of the second part, hereinafter referred to as the "Contractor".

WITNESSETH: THAT WHEREAS, the Owner has heretofore caused to be prepared certain plans, specifications and proposal blanks, dated the 18th day of March, 2020 for the Fiber to the Home Network under the terms and conditions therein fully stated and set forth, and,

WHEREAS, said plans, specifications and proposal blanks accurately and fully describe the terms and conditions upon which the Contractor is willing to perform the work specified:

NOW, THEREFORE, IT IS AGREED:

1. That the Owner hereby accepts the proposal of the Contractor for the work, as follows:
The Project includes construction of the Fiber to the Home Project for the Pella Municipal Electric Utility, including all labor, materials and equipment necessary to construct the network. The work shall be performed in various locations throughout the City of Pella.
2. That this contract consists of the following component parts which are made a part of this agreement and contract as fully and absolutely as if they were set out in detail in this contract:
 - 2.1 Contract Documents, including:
 - 2.1.1 Invitation for Bid
 - 2.1.2 Bid Documents
 - 2.1.2.1 Bid Form
 - 2.1.2.2 Bidder Status Form
 - 2.1.2.3 Bid Bond Form & Bid Bond
 - 2.1.2.4 Bid Form 0300
 - 2.1.3 Performance, Payment and Maintenance Bond
 - 2.1.4 General Conditions
 - 2.1.5 Special Conditions
 - 2.1.6 Drawings and Specifications
 - 2.1.7 Numbered addenda issued to the foregoing
 - 2.2 The above components are complementary and what is called for by one shall be as binding as if called for by all.
3. Payments are to be made to the Contractor in accordance with and subject to the provisions embodied in the documents made a part of this contract.
4. That this contract is executed in triplicate.

IN WITNESS WHEREOF, the parties here to have here unto set their hand and seals the date first written above.

OWNER: _____ CONTRACTOR: EXCEL UTILITY CONTRACTORS
LLC

BY: _____ BY: Kate Reu

TITLE: _____ TITLE: MANAGING MEMEBER
(If Contractor is a corporation, a partnership, or a joint venture, attach evidence of authority to sign)

ATTEST: _____ ATTEST: [Signature]

TITLE: _____ TITLE: SECRETARY



ADDRESS FOR GIVING NOTICES:

ADDRESS FOR GIVING NOTICES:

2 Industrial Drive
St. James, Missouri 65559