

RESOLUTION NO. 2007-017

A RESOLUTION PRESCRIBING THE FORM AND DETAILS OF GENERAL OBLIGATION BONDS, SERIES A, 2007, IN THE PRINCIPAL AMOUNT OF \$2,840,000, OF THE CITY OF PAOLA, KANSAS, PREVIOUSLY AUTHORIZED BY ORDINANCE NO. 2964 OF THE CITY; MAKING COVENANTS AND AGREEMENTS TO PROVIDE FOR THE PAYMENT AND SECURITY OF THE BONDS; AUTHORIZING CERTAIN OTHER DOCUMENTS AND ACTIONS CONNECTED TO THE BONDS AND AMENDING RESOLUTION NO. 2005-016.

WHEREAS, the governing body of the City of Paola, Kansas (the "City"), has adopted Ordinance No. 2964 (the "Bond Ordinance") authorizing the issuance of the City's General Obligation Bonds, Series A, 2007 (the "Bonds") for the purpose of providing funds to pay a portion of the costs of the improvements described in the Bond Ordinance (the "Project"); and

WHEREAS, in connection with issuance of the Bonds it is necessary to Resolution No. 2005-016 of the City authorizing improvements to Baptiste Drive; and

WHEREAS, the Bond Ordinance authorized the governing body of the City to adopt a resolution prescribing certain details and conditions and to make certain covenants with respect to the issuance of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF PAOLA, KANSAS:

Section 1. Amendment of Resolution No. 2005-016. Section 2 of Resolution No. 2005-016 adopted by the governing body of the City on November 8, 2005 is repealed and replaced by the following:

Section 2. Payment of Project Costs. The total estimated cost of the Project is \$5,100,000 with \$2,050,000 to be paid by the Kansas Department of Transportation as part of KDOT Project No. 61 U-2010-01 and F.A., with the balance of the Project costs to be paid by the City. The City's portion of such costs in the estimated amount of \$3,300,000 are authorized to be paid through the issuance of general obligation bonds of the City as provided in the Main Trafficway Act. Temporary notes of the City may be issued to pay all or portions of the costs of the Project until the general obligation bonds authorized by this Resolution are issued.

SECTION 2. Authority for Bonds; Security. In the Bond Ordinance the City has authorized the issuance of the Bonds for the purposes described in the Bond Ordinance. Payment of the Bonds is secured as described in the Bond Ordinance.

SECTION 3. Details of Bonds; Payment of Principal and Interest. The Bonds shall be issued in the total principal amount of \$2,840,000, shall be designated "City of Paola, Kansas, General Obligation Bonds, Series A, 2007". The Bonds shall be dated December 1, 2007 (the

“Dated Date”). The Bonds shall mature on September 1 (the “Principal Payment Date”) in each of the years and in the principal amounts and shall bear interest at the respective rates per annum (computed on the basis of a 360-day year of twelve 30-day months), as follows:

Maturity Schedule

SERIAL BONDS

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
09/01/2009	\$ 15,000.00	4.500%
09/01/2010	35,000.00	4.500%
09/01/2011	35,000.00	4.500%
09/01/2012	35,000.00	4.500%
09/01/2013	110,000.00	4.500%
09/01/2014	95,000.00	4.500%
09/01/2015	85,000.00	4.500%
09/01/2016	75,000.00	4.500%
09/01/2017	260,000.00	4.500%
09/01/2018	230,000.00	4.500%
09/01/2019	310,000.00	4.500%
09/01/2020	300,000.00	4.000%
09/01/2021	300,000.00	4.000%
09/01/2022	285,000.00	4.125%
09/01/2023	270,000.00	4.200%
09/01/2024	210,000.00	4.250%
09/01/2025	190,000.00	4.375%

Subject to the book-entry provisions of Section 7 of this Resolution, the Bonds will be issued as fully registered certificated bonds without coupons in denominations of \$5,000, or integral multiples thereof not exceeding the principal amount of Bonds maturing on the respective Principal Payment Date; and the Bonds shall be numbered in such manner as the Bond Registrar (hereinafter defined) shall determine.

In the Bond Ordinance the City has designated the State Treasurer of Kansas, Topeka, Kansas as the Bond Registrar and Paying Agent (the “Bond Registrar” and “Paying Agent”) for the Bonds pursuant to the Issuer/Agent Agreement (as defined in the Bond Ordinance) and the Bond Act.

The principal amount of the Bonds shall be payable in lawful money of the United States of America by check or draft of the Paying Agent upon the presentation of the Bonds for payment and cancellation at the Paying Agent’s principal office in the City of Topeka, Kansas. The interest on the Bonds shall be payable in lawful money of the United States of America to the owners of bonds (the “Owners”) of record as of the as of the fifteenth (15th) day of the month prior to the Interest Payment Date (the “Record Date”), by check or draft of the Paying Agent mailed to the Owners at their addresses as shown on the Registration Books, or at such other address as an Owner has furnished in writing to the Bond Registrar, or in the case of an

interest payment to an Owner that is a securities depository, by electronic transfer, upon written notice given to the Paying Agent by that Owner, not less than 15 days before the Record Date for such payment, containing the electronic transfer instructions, including the bank address (required to be in the continental United States), ABA routing number and account number where the wire transfer should be directed.

The interest on the Bonds shall be payable semiannually on March 1 and September 1 of each year, beginning March 1, 2009 (the "Interest Payment Dates"). The Bonds shall bear interest from the Interest Payment Date immediately preceding their effective authentication date, unless the effective authentication date is an Interest Payment Date when the Bonds will bear interest from that Interest Payment Date, or when the effective authentication date is before the first Interest Payment Date, when the Bonds shall bear interest from the Dated Date. The effective date of authentication shall appear on each Bond and shall be the date the Bond is authenticated by the Bond Registrar.

If a Principal Payment Date or an Interest Payment Date (collectively a "Payment Date") occurs on a Saturday, Sunday or on any day designated as a holiday by the Congress of the United States or by the Legislature of the State of Kansas and on which the Paying Agent is not scheduled to be open in the normal course of its operations, then the amount payable on the scheduled Payment Date may be made on the next succeeding business day with the same force and effect as if made on the scheduled Payment Date, and no interest shall accrue for the period after the scheduled Payment Date.

SECTION 4. Redemption of Bonds.

(A) Optional Redemption. At the option of the City, the Bonds maturing in the year maturing on September 1, 2017, and thereafter, may be called for redemption and payment before their respective maturities, on September 1, 2016 or at any time thereafter, as a whole or in part, as determined by the City at any time, at a redemption price equal to the principal amount, plus accrued interest to the date of redemption, without premium.

(B) Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in face amounts of \$5,000 or integral multiples thereof. If the City calls for redemption less than all of the Bonds then outstanding, the Bonds shall be redeemed in the manner the City determines, with Bonds of less than a full maturity selected by lot in units of \$5,000; and the City shall, in the case of Bonds registered in denominations greater than \$5,000, treat each \$5,000 of face value of a Bond so registered as though it were a separate Bond in the denomination of \$5,000. If one or more, but not all, of the \$5,000 units of face value represented by any fully registered Bond certificate is selected for redemption, then the Owner of such Bond shall present and surrender such Bond to the Paying Agent for payment of the redemption price of the \$5,000 unit or units of face value called for redemption, and for exchange, without charge to the Owner for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond of a denomination greater than \$5,000 does not present such Bond to the Paying Agent for payment and exchange as described, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount thereof called for redemption (and to that extent only).

Notwithstanding the provisions of the preceding paragraph, in the event of a partial redemption of Bonds registered in the name of The Depository Trust Company or its nominee or other securities depository (defined in Section 6), the securities depository may, at its option, in lieu of surrendering such Bond, make an appropriate notation on the Bond certificate indicating the date and amounts of the reduction in the principal amount of such Bond (except in the case of the final maturity of such Bonds, where the Bond certificate must be presented to the Paying Agent before payment).

(C) Notice of Redemption. The City shall give notice of any call for redemption and payment in writing to the Paying Agent not less than 45 days before the selected redemption date; and direct the Paying Agent to give notice of the call for redemption and payment in writing mailed via United States first class mail to the Owners of the Bonds called for redemption given mailed not less than 30 days before the selected redemption date, unless notice is waived by an Owner. The City shall also give or cause to be given such additional notice of any call for redemption and payment as may be required by the laws of the State of Kansas which are in effect as of the date the notice is given. All notices of redemption under this Section shall be dated at least thirty (30) days before the selected redemption date, and shall state (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Bonds are to be redeemed, the identification (and in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, (iv) that on the selected redemption date the principal amount, and premium, if any, will become due and payable upon each Bond or portion thereof selected for redemption, and that the interest on such Bonds will cease to accrue from and after the redemption date and (v) that the Bonds so selected for redemption are to be surrendered to or at the principal office of the Paying Agent for payment. The failure of any Owner of the Bonds to receive notice given as provided above or an immaterial defect in such notice will not invalidate any redemption.

During the time the Bonds are registered in the name or nominee name of The Depository Trust Company or other securities depository the notices described in the preceding paragraph shall be delivered to the securities depository who will provide notice to the beneficial owners of the Bonds or their nominees according to the procedures of the securities depository. Any failure on the part of the securities depository, or a failure on the part of nominee of a beneficial owner of a Bond to notify a beneficial owner shall not affect the validity of the redemption of the Bonds.

In addition to the notice of redemption mailed to the Owners of the Bonds, the Paying Agent shall, on behalf of the City, deliver the information contained in the notice of redemption to the Owners plus: (i) the CUSIP numbers of the Bonds to be redeemed, (ii) the date of issue of the Bonds; (iii) the rate of interest on each Bond to be redeemed; (iv) the maturity date of each Bond to be redeemed; and (v) any other descriptive information identifying the Bonds to be redeemed, to all registered securities depositories then in the business of holding substantial amounts of obligations similar to the Bonds and to one or more national information services that disseminate notices of redemption for obligations like the Bonds. This additional notice shall be sent by registered or certified mail or overnight delivery service (as determined by the Paying Agent) at least one day before notice of redemption is mailed to the Owners of the Bonds. No

defect in or failure to give this additional notice shall affect the validity of a call for redemption if notice is given to the Owners as required by this Resolution.

(D) Deposit of Moneys for and Payment of Redemption Price. On or before the redemption date, the City shall deposit with the Paying Agent sufficient funds to pay the redemption price, together with all unpaid and accrued interest on the Bonds called for redemption to the redemption date. When Bonds called for redemption are surrendered by their Owners, the Paying Agent shall pay the redemption price to the Owners. If some but not all of the \$5,000 units of face value represented by a Bond is selected for redemption and surrendered and paid, then the Paying Agent shall prepare and furnish to the Owner a new Bond or Bonds of the same maturity and in the amount of the unredeemed portion of the Bond as provided above. All Bonds selected, called and surrendered for redemption shall be canceled by the Paying Agent and shall not be reissued.

(E) Effect of Call for Redemption. Whenever any Bond or a portion of the \$5,000 units of face value represented by any Bond, is selected for redemption and payment as provided in this Section, all interest on such Bond or on the selected portion of the \$5,000 units of face value represented by such Bond, shall cease from and after the redemption date, provided funds are then available for its payment at the redemption price specified in this Resolution.

SECTION 5. Designation of Paying Agent and Bond Registrar. . In the Ordinance the city has elected to have the provisions of the Kansas Bond Registration Law apply to the Bonds and appointed the Treasurer of the State of Kansas, Topeka, Kansas, as the Bond Registrar and Paying Agent for the Bonds pursuant to and Issuer/Agent Agreement approved by the Ordinance.

The Paying Agent shall make payments with respect to the Bonds directly to DTC or its nominee, as the registered owner, for the principal of and the interest on the Bonds; and DTC will remit such principal and interest to its Direct Participants for distribution to the Beneficial Owners, all as defined and in the manner set forth in the following Section 6 and as governed by the terms of the Letter of Representation (hereinafter defined).

In the event that the Bonds should be issued and delivered in certificated form at any time after the initial delivery of the Bonds, the Paying Agent shall maintain Registration Books for the ownership of the Bonds on behalf of the City; and the Paying Agent will make payment for the Bonds directly to the registered owners of the Bonds as shown by said Registration Books in the manner set forth in Section 3 hereof.

SECTION 6. Ownership; Transfers and Exchanges; Mutilated, Lost, Stolen or Destroyed Bonds. Pursuant to the Issuer/Agent Agreement, the Bond Registrar shall maintain books for the recording of the initial registration and any subsequent transfers of the ownership of the Bonds (the "Registration Books"), and the person(s) in whose name any Bond is registered as shown on the Registration Books shall be deemed and regarded as the absolute Owner thereof for all purposes. Payment of, or on account of, the principal of and the interest on any such Bond shall be made only to or upon the order of the Owner or his duly authorized agent. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the sum or sums so paid.

The provisions, terms, conditions and requirements for the transfer and exchange of the Bonds, and for the replacement of a mutilated, lost, stolen or destroyed Bond are set forth in the Issuer/Agent Agreement. Replacement bonds delivered upon any transfer or exchange made in compliance with the provisions, terms, conditions and requirements of the Issuer/Agent Agreement shall be valid obligations of the City, evidencing the same debt as the Bonds surrendered, shall be secured by the pledges made in this Resolution and the Bond Ordinance and shall be entitled to all of the security and benefits hereof to the same extent as the bonds surrendered.

SECTION 7. Book-Entry-Only Bonds. The Bonds shall be initially distributed in book-entry-only form through The Depository Trust Company, New York, New York (“DTC”), by depositing with DTC one certificate for each maturity in fully registered form, registered in the name of DTC’s nominee, Cede & Co., in an amount equal to the total principal amount of the Bonds maturing on the respective Principal Payment Dates as authorized herein. Notwithstanding anything in this Resolution to the contrary, so long as the Bonds remain in book-entry-only form the manner of payment of the principal of and the interest on the Bonds to DTC, and other matters relating to the distribution of the Bonds in book-entry-only form through DTC, shall be governed by the provisions of this Section 6 and a Letter of Representations from the City to DTC (the “Letter of Representations”), which the Mayor or City Clerk is hereby authorized to execute and deliver on behalf of the City.

One certificate per maturity registered in the name of DTC’s nominee, Cede & Co., for the total principal amount of the Bonds maturing on the respective Principal Payment Dates will be issued to DTC in New York, New York; and such certificates will be immobilized in its custody. Purchases of the Bonds in denominations permitted by Section 3 hereof must be made by or through Direct Participants of DTC (as defined in the Letter of Representations), which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Transfers of ownership will be effected on the records of DTC and its Participants pursuant to the rules and procedures established by DTC and its Participants. Payment of principal and interest on the Bonds will be made in same day funds directly to DTC. The transfer of principal and interest to Participants of DTC will be the responsibility of DTC; the transfer of principal and interest to beneficial owners by Participants of DTC will be the responsibility of such Participants. Neither the City nor the Paying Agent and Bond Registrar will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Bonds outstanding, as shown on the records of DTC (and certified to such effect by DTC), that the continuation of a book-entry only system to the exclusion of any Bonds being issued to any Registered Owner other than Cede & Co., is no longer in the best interest of the Beneficial Owners of the Bonds, then the Bond Registrar shall notify the registered owners of such determination or such notice, and the Bond Registrar shall register in the name of and authenticate and deliver replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it

may find necessary or appropriate as to accrued interest and previous calls for redemption (“Replacement Bonds”). If issued in certificated form, the certificates representing the Bonds shall be numbered in such manner as the Bond Registrar shall determine.

All references to DTC herein shall relate to the period of time when DTC has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by DTC shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If DTC resigns and the City, the Bond Registrar or the Owners are unable to locate a qualified successor of the securities depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from DTC and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the City.

In the event DTC resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a DTC and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the City may appoint a successor securities depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor securities depository to discharge its responsibilities. Any such successor securities depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor securities depository in appropriate denominations and form as provided in this Resolution.

SECTION 8. Execution and Authentication. The Bonds shall be executed for and on behalf of the City by the manual or facsimile signature of its Mayor, attested by the manual or facsimile signature of its City Clerk, and the City’s official seal shall be shall be affixed or imprinted on the Bonds. The Bonds shall be registered in the Office of the City Clerk, as evidenced by the manual or facsimile signature of the City Clerk on a Certificate of Registration printed on the Bonds, attested by a facsimile of the City’s official seal imprinted or affixed opposite the Clerk’s signature. The Bonds shall be registered by the State Treasurer in the municipal bond register in his or her office, as evidenced by his or her manual or facsimile signature on a Certificate of State Treasurer printed on the Bonds, and attested by a facsimile of his or her official seal imprinted opposite his or her signature. In case any officer of the City or of the State whose signature shall appear on the Bonds ceases to be such officer before the actual delivery of the Bonds, that signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until such delivery.

No bond shall be valid or obligatory for any purpose unless and until the Certificate of Authentication is duly executed by the Bond Registrar, and a duly executed Certificate of Authentication on any Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. The Bond Registrar’s Certificate of Authentication on a Bond is duly executed by it when manually signed by an authorized officer or signatory of the Bond

Registrar; and it is not necessary that the same officer or signatory of the Bond Registrar manually sign such Certificate on all Bonds issued under this Resolution.

SECTION 9. Nonpresentment of Bonds. If any Bond is not presented for payment when the principal is due at maturity and funds sufficient to pay such Bond have been made available to the Paying Agent then all liability of the City to the Owner thereof for the payment of such Bond shall cease, determine and be completely discharged, and it shall be the duty of the Paying Agent to hold such funds, without liability for interest, for the benefit of the Owner of such Bond, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Ordinance or this Resolution on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when the Bond is due at maturity, the Paying Agent shall repay to the City the funds held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, become an unsecured obligation of the City, and the Owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and City shall not be liable for any interest thereon nor regarded as a trustee of such money.

SECTION 10. Payment of Costs. The City shall pay out of the proceeds of the Bonds all costs incurred in connection with the issuance, transfer, exchange, registration, redemption and payment of the bonds except (a) the reasonable fees and expenses of replacing a Bond or Bonds which have been mutilated, stolen, lost or destroyed, or (b) any tax or other governmental charge imposed in relation to the transfer, exchange, registration, redemption or payment of the Bonds.

SECTION 11. Form of Bonds. The Bonds issued under this Resolution shall be evidenced by printed certificates in the form required by the laws of the State of Kansas, and shall contain recitals as required by the Constitution and Laws of the State of Kansas, including a recital that the Bonds are issued in the manner prescribed by the Bond Act, and pursuant to the authority of the Special Assessment Act and Main Trafficway Act (as defined in the Bond Ordinance), for the purpose of paying the costs of acquiring, constructing and installing the Project in the City.

The governing body authorizes and directs Triplett, Woolf & Garretson, LLC, the City's Bond Counsel, to prepare the form and text of the certificates for the Bonds, and to cause the same to be printed as the definitive bond certificates for the Bonds.

SECTION 12. Creation and Ratification of Accounts. Simultaneously with the issuance and delivery of the Bonds, there shall be created within the Treasury of the City, the following accounts for the Bonds:

General Obligation Bonds, Series A, 2007 Principal and Interest Account (the "Series A, 2007 Principal and Interest Account"); and

General Obligation Bonds, Series A, 2007 Project Fund (the "Project Fund").

SECTION 13. Sale and Delivery of Bonds; Disposition of Proceeds. The Mayor and City Clerk are authorized and directed to execute the Bonds as provided in this Resolution and to

register the Bonds in the office of the City Clerk and to cause them to be registered with the State Treasurer, as required by law. The Bonds shall be delivered to Wachovia Securities, LLC, Richmond, Virginia (the "Original Purchaser"), upon receipt by the City of the full purchase price of the Bonds, which is the par amount of the Bonds, plus premium, if any, and accrued interest from the Dated Date to the date of issuance and delivery, less an underwriter's discount of \$8,478.25.

The proceeds from the sale of the Bonds shall be deposited into the Treasury of the City for the credit of and shall be applied, together with other monies of the City, as follows:

- (A) accrued interest on the Bonds, if any, and any premium paid on the Bonds, shall be deposited in the Series A, 2007 Principal and Interest Account; and
- (B) \$2,831,521.75 shall be deposited in the Project Fund.

SECTION 14. Application of Money in Accounts.

Series A, 2007 Principal and Interest Account. The Series A, 2007 Principal and Interest Account shall be administered and maintained for the purpose of depositing moneys from the issuance, sale and delivery of the Bonds which represent accrued interest and premium, if any, and for the deposit of ad valorem taxes or special assessments levied to make payments of principal of and interest on the related series of Bonds or amounts transferred from the general funds of the City to pay principal of and interest on the related series of Bonds on any Payment Date, and for no other purpose. All amounts paid and credited to the Series A, 2007 Principal and Interest Account shall be expended by the City solely for the purpose of paying the principal of, premium, if any and interest on the related series of Bonds and to pay the usual and customary fees of the Paying Agent. The Series A, 2007 Principal and Interest Account may be a sub-account of the City's Bond and Interest Fund. Moneys and investments remaining in the Series A, 2007 Principal and Interest Account after the retirement of the indebtedness represented by the related series of Bonds shall be transferred to the City's Bond and Interest Fund.

Project Fund. The Project Fund shall be administered and maintained for the purpose of depositing moneys received in connection with the issuance, sale and delivery of the related series of Bonds for the purpose of paying the costs of the Project, including redemption of certain temporary notes issued to finance costs of the Project and to pay the costs of issuing the Bonds. Amounts in the Project Fund not so applied shall be transferred to the Series A, 2007 Principal and Interest Account and applied to the payment of principal of and/or interest on such Bonds.

Moneys in each of the funds and accounts described above shall be deposited and secured according to the laws of the State. Moneys held in such accounts may be invested in investments authorized by the laws of the State maturing at times as shall reasonably provide for moneys to be available for the purposes of such accounts. All earnings on investments in such accounts shall accrue to and become a part of such account or fund.

SECTION 15. Resolution Constitutes Contract; Remedies of Owners. The provisions of this Resolution, and all of its covenants and agreements, shall constitute a contract between the City and the Owners, and the Owners of not less than ten percent (10%) of the Bonds at the time Outstanding shall have the right, for the equal benefit and protection of all Owners similarly situated:

(A) By mandamus or other suit, action or proceeding at law or in equity to enforce his or their rights against the City and its officers, agents and employees, and to require and compel the City and its officers, agents and employees to perform all duties and obligations required by the provisions of this Resolution or by the Constitution and laws of the State of Kansas;

(B) By suit, action or other proceeding in equity or at law to require the City, its officers, agents and employees to account as if they were the trustees of an express trust; and

(C) By suit, action or other proceeding in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners.

SECTION 16. Limitation on Actions by Owners; Remedies Cumulative; Delay or Omission Not Waiver. No one or more of the Owners secured by this Resolution and the Bond Ordinance shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security granted and provided for here and in the Bond Ordinance, or to enforce any right hereunder or under the Bond Ordinance, except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all of the Owners. Nothing in this Resolution, the Bond Ordinance or in the Bonds shall affect or impair the obligations of the City to pay at the date of maturity thereof or on any prepayment date established therefor, the principal of and the interest on the Bonds to the respective Owners thereof or affect or impair the right of action of any Owners to enforce payment of the Bonds held by them, or to reduce to judgment their claim against the City for the payment of the principal amount of and the interest on the Bonds without reference to or consent of any other Owners. No remedy herein conferred upon the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute, and may be exercised without regard to any other remedy however given. No delay or omission of any Owners to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power or be construed as an acquiescence in such default, and every right, power and remedy given by this Resolution to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient. In case any proceeding taken by any Owners on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Owners, then in every such case the City and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Owners shall continue as though no such proceedings had been taken.

SECTION 17. Amendments. The City may, without the consent of the Owners, amend or supplement the provisions of this Resolution (i) to cure any ambiguity or to correct or supplement any provision which may be inconsistent with any other provision or to correct errors, provided such action shall not materially adversely affect the interest of the Owners, or (ii) to grant or confer upon the Owners any additional rights, remedies, powers or security, or (iii) to more precisely identify the Project, or (iv) to conform this Resolution to the Code (as later defined) or future applicable Federal laws concerning tax-exempt obligations. The rights and duties of the City and the Owners and the terms and provisions of this Resolution may be modified or altered in any respect by an ordinance of the City with the consent of the Owners of not less than seventy-five percent (75%) in principal amount of the bonds then outstanding, such consent to be evidenced by an instrument or instruments executed by the Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the City Clerk; provided that, the following modifications or alternations shall require the written consent of one hundred percent (100%) of the Owners of the then outstanding Bonds:

(A) Extending the maturity of any payment of principal or interest due upon the Bonds, or

(B) Effecting a reduction in the amount which the City is required to pay by way of principal or interest on the Bonds, or

(C) Permitting a preference or priority of any Bond or Bonds over any other Bond or Bonds, or

(D) Reducing the percentage of the principal amount of the then outstanding Bonds for which the written consent of the Owners is required for any modification or alteration of the provisions of this Resolution.

Any modifications made in the manner as described above shall not become effective until a copy of the ordinance of the City authorizing said modifications, duly certified and published, as well as proof of consent to such modification by the Owners of not less than the required percentage of the principal amount of the bonds then Outstanding is filed with the City Clerk. It is not necessary to note on any of the outstanding Bonds any reference to such amendment or modification.

SECTION 18. Defeasance. When the principal of and the interest on the Bonds shall have been paid and discharged, then the requirements contained here and all other rights granted by this Resolution shall cease and terminate. The Bonds shall be deemed to have been paid and discharged within the meaning of this Resolution if there shall have been deposited with the Paying Agent or with a bank located in the State of Kansas and having full trust powers, at or prior to the maturity or date of redemption, as the case may be, of the Bonds, in trust for and irrevocably appropriated thereto, moneys and/or Government Securities consisting of direct obligations of, or obligations payment of the principal of and interest on which are guaranteed by, the United States of America, which together with the interest to be earned on such Government Securities, will be sufficient for the payment of the principal amount of and the

interest on the Bonds, to the date of maturity or redemption, as the case may be, or if default in such payment shall have accrued on such date, then to the date of the tender of such payments; provided that, if such payment and discharge is to be made on a redemption date that notice of such redemption has been duly and properly given as provided by this Resolution and that all of the other terms and provisions of this Resolution relative to the call for and the redemption and payment of the Bonds shall have been complied with. Any moneys which at any time shall be deposited with the Paying Agent or such Kansas bank by or on behalf of the City, for the purpose of paying and discharging any of the Bonds or interest thereon, shall be and are hereby assigned, transferred and set over to the Paying Agent or such Kansas bank in trust for the respective Owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All moneys so deposited with the Paying Agent or such Kansas bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Resolution.

SECTION 19. Surrender and Cancellation of Bonds. Whenever any outstanding Bond shall be delivered to the Bond Registrar after payment of the principal amount of and the interest represented thereof or for replacement pursuant to this Resolution, such Bond shall be canceled and destroyed by the Bond Registrar and counterparts of a Certificate of Destruction describing such Bonds so destroyed and evidencing such destruction shall be furnished by the Bond Registrar to the City.

SECTION 20. Tax Covenants. The governing body of the City covenants and agrees that so long as any of the Bonds remain outstanding and unpaid, it will not use or permit the use of the proceeds of the Bonds in a manner which, if such use had been reasonably expected on the date of issuance and delivery of the Bonds, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 103(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”); and that it will comply with all applicable requirements of Section 148 of the Code and the applicable rules and regulations of the United States Treasury Department promulgated under the Code for so long as any of the Bonds remain outstanding and unpaid. The governing body further covenants to take all such action in its power as may be required from time to time in order to assure the continued tax-exempt status of the interest on the Bonds, and to comply with all provisions of the Code, as the same be amended, and any applicable rules and regulations of the United States Treasury Department issued thereunder.

SECTION 21. Other Documents. The Mayor and City Clerk are authorized and directed to prepare and execute any and all supporting documents and certificates required in the issuance of the Bonds, including any applicable notice of redemption of the temporary notes and including final certificates required to be included in the official Transcript of Proceedings relating to the authorization and issuance of the Bonds, and the refunding of the temporary notes all without further action by the governing body.

SECTION 22. Further Authority. The City shall, and the officers, agents and employees thereof, are authorized and directed to, take such actions, expend such moneys and execute such other documents, certificates and instruments as may be necessary or desirable in order to carry out and comply with the provisions of this Resolution and to give effect to the transactions contemplated hereby.

SECTION 23. Severability. If any provision of this Resolution is held or deemed invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction in all cases because it conflicts with any other provision herein or with constitution, statute or rule of public policy, or for any other reason, such circumstances shall render the provision in question inoperative or unenforceable in any other case or circumstance, or render any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatsoever.

SECTION 24. Effective Date. This Resolution shall be in force and take effect from and after its adoption and approval.

ADOPTED AND APPROVED by the governing body of the City of Paola, Kansas on November 27, 2007.

CITY OF PAOLA, KANSAS

[seal]

By _____
Artie Stuteville, Mayor

ATTEST:

By _____
Daniel G. Droste, City Clerk