

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF UP TO
\$315,663 SEWERAGE SYSTEM REVENUE BONDS, SERIES 2016,
AND PROVIDING FOR OTHER DETAILS AND COVENANTS WITH RESPECT
THERE TO**

WHEREAS, the City of Shell Lake, Washburn County, Wisconsin (the "Municipality") owns and operates a sewerage system (the "System") which is operated for a public purpose as a public utility by the Municipality; and

WHEREAS, certain improvements to the System are necessary to meet the needs of the Municipality and the residents thereof, consisting of the construction of a project (the "Project") assigned Clean Water Fund Program Project No. 4712-07 by the State of Wisconsin Department of Natural Resources (the "Department of Natural Resources"), and as defined in Department of Natural Resources approval letters for the plans and specifications, or portions thereof, issued under Wis. Stat. Section 281.41 dated December 28, 2016, and assigned number S-2016-0283; and

WHEREAS, under the provisions of Chapter 66 of the Wisconsin Statutes any municipality may, by action of its governing body, provide for purchasing, acquiring, constructing, extending, adding to, improving, operating and managing a public utility from the proceeds of bonds, which bonds are to be payable only from the revenues received from any source by such utility, including all rentals and fees; and

WHEREAS, the Municipality has authorized issuance of its not to exceed \$600,000 Promissory Note dated October 21, 2016 (the "Prior Bond") for the purpose of paying a portion of the costs of the Project. However, no proceeds of the Prior Bond have been advanced as of the date of this Resolution; and

WHEREAS, pursuant to Wis. Stats. Section 66.0621(2)(b), any municipality may issue new bonds to provide funds for the payment of any outstanding bonds or notes issued under Section 66.0621 or Chapter 67 of the Wisconsin Statutes for purchasing, acquiring, constructing, extending, adding to, improving, conducting, controlling, operating and managing a public utility; and

WHEREAS, the Municipality deems it to be necessary, desirable and in its best interest to authorize and sell sewerage system revenue bonds of the Municipality payable solely from the revenues of the System, pursuant to the provisions of Section 66.0621 of the Wisconsin Statutes, to pay the cost of the Project and to refund expended proceeds of the Prior Bond; and

WHEREAS, other than "preliminary expenditures" as defined in the Treas. Reg. 26 CFR 1.150-2 in an amount not exceeding 20% of the principal amount of the bonds authorized to be issued by this Resolution, or other than a "de minimus" amount as defined in Treas. Reg. 26 CFR 1.150-2 in an amount not exceeding the lesser of \$100,000 or 5% of the principal amount of the bonds authorized to be issued by this Resolution, all of the proceeds loaned to the Municipality will be used for Project costs paid by the Municipality subsequent to (i) the date which is 60 days prior to the date on which the Municipality adopted a "declaration of intent" pursuant to Treas.

Reg. 26 CFR 1.150-2 stating its intent to reimburse other funds of the Municipality previously used to finance the Project, or (ii) the date on which the bonds authorized herein are issued; and

WHEREAS, other than the 2014 Bond (defined below), no bonds or obligations payable from the revenues of the System are now outstanding.

NOW, THEREFORE, be it resolved by the Governing Body of the Municipality that:

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

- (a) "Act" means Section 66.0621 of the Wisconsin Statutes;
- (b) "Bond Registrar" means the Municipal Treasurer, who shall act as Paying Agent for the Bonds;
- (c) "Bonds" mean the \$315,663 Sewerage System Revenue Bonds, Series 2016 of the Municipality dated their date of issuance, authorized to be issued by this Resolution;
- (d) "Bond Year" means the twelve-month period ending on each May 1;
- (e) "CWFP" means the State of Wisconsin Clean Water Fund program;
- (f) "Current Expenses" means the reasonable and necessary costs of operating, maintaining, administering and repairing the System, including salaries, wages, costs of materials and supplies, insurance, and audits, but shall exclude depreciation, debt service, tax equivalents and capital expenditures;
- (g) "Debt Service Fund" means the Debt Service Fund of the Municipality, which shall be the "special redemption fund" as such term is defined in the Act;
- (h) "Financial Assistance Agreement" means the Financial Assistance Agreement by and between the State of Wisconsin by the Department of Natural Resources and the Department of Administration and the Municipality pursuant to which the Bonds are to be issued and sold to the State, substantially in the form presented to the Governing Body and incorporated herein by reference;
- (i) "Fiscal Year" means the twelve-month period ending on each December 31;
- (j) "Governing Body" means the Common Council, or such other body as may hereafter be the chief legislative body of the Municipality;
- (k) "Gross Earnings" means the gross earnings of the System, including the earnings of the System derived from sewerage charges imposed by the Municipality, all

payments to the Municipality under any wastewater treatment service agreements between the Municipality and any contract users of the System, and any other monies received from any source including all rentals and fees and any special assessments levied and collected in connection with the Project;

(l) “Municipal Treasurer” means the Administrator/Clerk-Treasurer of the Municipality, who shall act as Bond Registrar and Paying Agent;

(m) “Municipality” means the City of Shell Lake, Washburn County, Wisconsin;

(n) “Net Revenues” means the Gross Earnings of the System after deduction of Current Expenses;

(o) “Parity Bonds” means the Municipality’s \$450,422 Sewerage System Revenue Bonds, Series 2014 dated November 12, 2014 (the “2014 Bond”), and any other bonds payable from the revenues of the System other than the Bonds but issued on a parity and equality with the Bonds pursuant to the restrictive provisions of Section 11 of this Resolution;

(p) “Prior Bond” means the not to exceed \$600,000 Promissory Note dated October 21, 2016 (with no funds advanced as of the date of this Resolution);

(q) “Project” means the Project described in the preamble to this Resolution. All elements of the Project are to be owned and operated by the Municipality as part of the System as described in the preamble hereto;

(r) “Record Date” means the close of business on the fifteenth day of the calendar month next preceding any principal or interest payment date; and

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

Section 2. Authorization of the Bonds and the Financial Assistance Agreement. For the purpose of paying the cost of the Project (including legal, fiscal, engineering and other expenses), there shall be borrowed on the credit of the income and revenue of the System up to the sum of \$315,663; and fully registered revenue bonds of the Municipality are authorized to be issued in evidence thereof and sold to the State of Wisconsin Clean Water Fund Program in accordance with the terms and conditions of the Financial Assistance Agreement, which is

incorporated herein by this reference and the Mayor and the Administrator/Clerk-Treasurer of the Municipality are authorized, by and on behalf of the Municipality, to execute the Financial Assistance Agreement.

Section 3. Terms of the Bonds. (a) The Bonds shall be designated "Sewerage System Revenue Bonds, Series 2016" (the "Bonds"); shall be dated December 28, 2016; shall be numbered one and upward; shall bear interest at the rate of 1.960% per annum, calculated on the basis of a 360-day year made up of twelve 30-day months; shall be issued in denominations of \$0.01 or any integral multiple thereof; and shall mature on the dates and in the amounts as set forth in Exhibit B of the Financial Assistance Agreement. Interest on the Bonds shall be payable commencing on May 1, 2017 and semiannually thereafter on November 1 and May 1 of each year. The Bonds shall not be subject to redemption prior to maturity except as provided in the Financial Assistance Agreement.

(b) The schedule of maturities of the Bonds is found to be such that the amount of annual debt service payments is reasonable in accordance with prudent municipal utility practices.

Section 4. Form, Execution, Registration and Payment of the Bonds. The Bonds shall be issued as registered obligations in substantially the form attached hereto as Exhibit A and incorporated herein by this reference.

The Bonds shall be executed in the name of the Municipality by the manual signatures of the Mayor and the Administrator/Clerk-Treasurer, and shall be sealed with its official or corporate seal, if any.

The principal of, premium, if any, and interest on the Bonds shall be paid by the Municipal Treasurer, who is appointed as the Municipality's registrar (the "Bond Registrar").

Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America by the Bond Registrar. Payment of principal of the final maturity on the Bonds will be payable upon presentation and surrender of the Bonds to the Bond Registrar. Payment of principal of the Bonds (except the final maturity) and each installment of interest shall be made to the registered owner of each Bonds who shall appear on the registration books of the Municipality, maintained by the Bond Registrar, on the Record Date and shall be paid by electronic transfer or by check or draft of the Municipality and mailed to such registered owner at his or its address as appears on such registration books or at such other address may be furnished in writing to such registered owner to the Bond Registrar.

Section 5. Security for the Bonds. The Bonds, together with interest thereon, shall not constitute an indebtedness of the Municipality nor a charge against its general credit or taxing power. The Bonds, together with interest thereon, shall be payable only out of the Debt Service Fund hereinafter created and established, and shall be a valid claim of any holder thereof only against such Debt Service Fund and the revenues of the System pledged to such fund. Sufficient revenues are pledged to said Debt Service Fund, and shall be used for no other

purpose than to pay the principal of, premium, if any, and interest on the Bonds as the same become due.

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

(a) Revenue Fund, into which shall be deposited as received the entire Gross Earnings of the System, which money shall then be divided among the Operation and Maintenance Fund, the Debt Service Fund, the Depreciation Fund and the Surplus Fund in the amounts and in the manner set forth in Section 7 hereof and used for the purposes described below.

(b) Operation and Maintenance Fund, which shall be used for the payment of Current Expenses.

(c) Debt Service Fund, which shall be used for the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(d) Depreciation Fund, which is the Replacement Fund referred to by Section NR 162, Wis. Adm. Code, and may be expended for repairs, replacements, new construction, extensions or additions to the System. Any money on deposit in the Depreciation Fund not required during the current Fiscal Year for purposes of the Depreciation Fund may be transferred to the Surplus Fund.

(e) Surplus Fund, which shall first be used whenever necessary to pay principal of, premium, if any, or interest on the Bonds and Parity Bonds when the Debt Service Fund shall be insufficient for such purpose, and thereafter shall be disbursed as follows: (i) at any time, to remedy any deficiency in any of the Funds established in this Section 6; and (ii) money thereafter remaining in the Surplus Fund at the end of any Fiscal Year may be transferred to any of the Funds or accounts created herein or to reimburse the general fund of the Municipality for advances made by the Municipality to the System or for any other lawful purpose.

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

(a) to the Operation and Maintenance Fund, an amount equal to the estimated Current Expenses for such month and for the following month (after giving affect to available amounts in said Fund from prior deposits);

(b) to the Debt Service Fund, an amount equal to one-sixth (1/6) of the next installment of interest coming due on the Bonds and any Parity Bonds then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the Bonds and any Parity Bonds coming due during such Bond Year (after giving effect to available amounts in said account from accrued interest, any premium or any other source);

(c) to the Depreciation Fund, an amount determined by the Governing Body to be sufficient to provide a proper and adequate depreciation account for the System;

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

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

It is the express intent and determination of the Governing Body that the amounts transferred from the Revenue Fund and deposited in the Debt Service Fund shall be sufficient in any event to pay the interest on the Bonds and any Parity Bonds as the same accrues and the principal thereof as the same matures.

Section 8. Deposits and Investments. The Debt Service Fund shall be kept apart from monies in the other Funds and Accounts and the same shall be used for no purpose other than the prompt payment of principal of and interest on the Bonds and any Parity Bonds as the same becomes due and payable. All monies therein shall be deposited in special and segregated accounts in a public depository selected under Chapter 34 of the Wisconsin Statutes and may be temporarily invested until needed in legal investments subject to the provisions of Section 66.0603(1m) of the Wisconsin Statutes. The other funds herein created (except the Sewerage System CFWP Project Fund established in Section 13) may be combined in a single account in a public depository selected in the manner set forth above and may be temporarily invested until needed in legal investments subject to the provisions of Section 66.0603(1m) of the Wisconsin Statutes.

Section 9. Service to the Municipality. The reasonable cost and value of services rendered to the Municipality by the System by furnishing sewerage services for public purposes shall be charged against the Municipality and shall, to the extent permitted by law, be paid in monthly installments as the service accrues, out of the current revenues of the Municipality collected or in the process of collection, exclusive of the revenues derived from the System; that is to say, out of the tax levy of the Municipality made by it to raise money to meet its necessary

current expenses. The reasonable cost and value of such service to the Municipality in each year shall be equal to an amount which, together with other revenues of the System, will produce in each Fiscal Year Net Revenues equivalent to not less than the annual principal and interest requirements on the Bonds, any Parity Bonds, and any other debt obligations payable from the revenues of the System then outstanding times the greater of (i) 110%, or (ii) the highest debt service coverage ratio required with respect to any debt obligations payable from the revenues of the System then outstanding. However, such payment out of the tax levy shall be subject to (a) approval of the Wisconsin Public Service Commission, or successors to its function, if applicable, (b) yearly appropriations therefor, and (c) applicable levy limitations, if any; but neither this Resolution nor such payment shall be construed as constituting an obligation of the Municipality to make any such appropriation over and above the reasonable cost and value of the services rendered to the Municipality and its inhabitants or to make any subsequent payment over and above such reasonable cost and value.

Section 10. Operation of System; Municipality Covenants. It is covenanted and agreed by the Municipality with the owner or owners of the Bonds, and each of them, that the Municipality will perform all of the obligations as set forth in the Financial Assistance Agreement.

Section 11. Additional Bonds. No bonds or obligations payable out of the revenues of the System may be issued in such manner as to enjoy priority over the Bonds. Additional obligations may be issued if the lien and pledge is junior and subordinate to that of the Bonds. Parity Bonds may be issued only under the following circumstances:

(a) Additional Parity Bonds may be issued for the purpose of completing the Project and for the purpose of financing costs of the Project which are ineligible for payment under the State of Wisconsin Clean Water Fund Program. However, such additional Parity Bonds shall be in an aggregate amount not to exceed 20% of the face amount of the Bonds; or

(b) Additional Parity Bonds may also be issued if all of the following conditions are met:

(1) The Net Revenues of the System for the Fiscal Year immediately preceding the issuance of such additional bonds must have been in an amount at least equal to the maximum annual interest and principal requirements on all bonds outstanding payable from the revenues of the System, and on the bonds then to be issued, times the greater of (i) 1.10 or (ii) the highest debt service coverage ratio to be required with respect to the additional Parity Bonds then to be issued or on any debt obligations payable from the revenues of the System then outstanding. Should an increase in permanent rates and charges, including those made to the Municipality, be properly ordered and made effective during the Fiscal Year immediately prior to the issuance of such additional bonds or during that part of the Fiscal Year of issuance prior to such issuance, then Net Revenues for purposes of such computation shall include such additional revenues as an independent certified public accountant, consulting professional engineer or the

Wisconsin Public Service Commission may certify would have accrued during the prior Fiscal Year had the new rates been in effect during that entire immediately prior Fiscal Year.

(2) The payments required to be made into the Funds enumerated in Section 6 of this Resolution must have been made in full.

(3) The additional Parity Bonds must have principal maturing on May 1 of each year and interest falling due on May 1 and November 1 of each year.

(4) The proceeds of the additional Parity Bonds must be used only for the purpose of providing extensions or improvements to the System, or to refund obligations issued for such purpose.

Section 12. Sale of Bonds. The sale of the Bonds to the State of Wisconsin Clean Water Fund Program for the purchase price of up to \$315,663, and at par, is ratified and confirmed; and the officers of the Municipality are authorized and directed to do any and all acts, including executing the Financial Assistance Agreement and the Bonds as hereinabove provided, necessary to conclude delivery of the Bonds to said purchaser, as soon after adoption of this Resolution as is convenient. The purchase price for the Bonds shall be paid upon requisition therefor as provided in the Financial Assistance Agreement.

Section 13. Application of Bond Proceeds. The proceeds of the sale of the Bonds shall be deposited by the Municipality into a special fund designated as "Sewerage System CWF Project Fund." The Sewerage System CWF Project Fund shall be used solely for the purpose of paying the costs of the Project (including capitalized interest, if any, on the Bonds) and refunding expended proceeds of Prior Bond as more fully described in the preamble hereof provided that the Municipality agrees that: 1) no proceeds of the Prior Bond have been advanced as of the date of this Resolution or will be advanced prior to the date of issuance of the Bonds, and 2) the Municipality will only use proceeds of the Prior Bond to the extent the Bond proceeds are insufficient or not timely received. Moneys in the Sewerage System CWF Project Fund shall be disbursed within three (3) business days of their receipt from the State of Wisconsin and shall not be invested in any interest-bearing account.

Section 14. Amendment to Resolution. After the issuance of any of the Bonds, no change or alteration of any kind in the provisions of this Resolution may be made until all of the Bonds have been paid in full as to both principal and interest, or discharged as herein provided, except: (a) the Municipality may, from time to time, amend this Resolution without the consent of any of the owners of the Bonds, but only to cure any ambiguity, administrative conflict, formal defect, or omission or procedural inconsistency of this Resolution; and (b) this Resolution may be amended, in any respect, with a written consent of the owners of not less than two-thirds (2/3) of the principal amount of the Bonds then outstanding, exclusive of Bonds held by the Municipality; provided, however, that no amendment shall permit any change in the pledge of revenues derived from the System or the maturity of any Bond issued hereunder, or a reduction in the rate of interest on any Bond, or in the amount of the principal obligation thereof, or in the amount of the redemption premium payable in the case of redemption thereof, or change the

terms upon which the Bonds may be redeemed or make any other modification in the terms of the payment of such principal or interest without the written consent of the owner of each such Bond to which the change is applicable.

Section 15. Defeasance. When all Bonds have been discharged, all pledges, covenants and other rights granted to the owners thereof by this Resolution shall cease. The Municipality may discharge all Bonds due on any date by irrevocably depositing in escrow with a suitable bank or trust company a sum of cash and/or bonds or securities issued or guaranteed as to principal and interest by the U.S. Government, or by a commission, board or other instrumentality of the U.S. Government, maturing on the dates and bearing interest at the rates required to provide funds sufficient to pay when due the interest to accrue on each of said Bonds to its maturity or, at the Municipality's option, if said Bond is prepayable to any prior date upon which it may be called for redemption, and to pay and redeem the principal amount of each such Bond at maturity, or at the Municipality's option, if said Bond is prepayable, at its earliest redemption date, with the premium required for such redemption, if any, provided that notice of the redemption of all prepayable Bonds on such date has been duly given or provided for.

Section 16. Rebate Fund. Unless the Bonds are exempt from the rebate requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Municipality shall establish and maintain a separate account for the Bonds to be known as the "Rebate Fund". The sole purpose of the Rebate Fund is to provide for the payment of any rebate liability with respect to the Bonds under the relevant provisions of the Code, and the Treasury Regulations promulgated thereunder (the "Regulations"). The Rebate Fund shall be maintained by the Municipality until all required rebate payments with respect to the Bonds have been made in accordance with the relevant provisions of the Code and the Regulations.

The Municipality covenants and agrees that it shall pay to the United States from the Rebate Fund, at the times and in the amounts and manner required by the Code and the Regulations, the portion of the "rebate amount" (as defined in Section 1.148-3(b) of the Regulations) that is due as of each "computation date" (within the meaning of Section 1.148-3(e) of the Regulations). As of the date of this Resolution, the provisions of the Regulations specifying the required amounts of rebate installment payments and the time and manner of such payments are contained in Sections 1.148-3(f) and (g) of the Regulations, respectively. Amounts held in the Rebate Fund and the investment income therefrom are not pledged as security for the Bonds or any parity bonds and may only be used for the payment of any rebate liability with respect to the Bonds.

The Municipality may engage the services of accountants, attorneys or other consultants necessary to assist it in determining the rebate payments, if any, owed to the United States with respect to the Bonds. The Municipality shall maintain or cause to be maintained records of determinations of rebate liability with respect to the Bonds for each computation date until six (6) years after the retirement of the last of the Bonds. The Municipality shall make such records available to the State of Wisconsin upon reasonable request therefor.

Section 17. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Municipality and the owner or owners of the Bonds, and after issuance of

any of the Bonds no change or alteration of any kind in the provisions of this Resolution may be made, except as provided in Section 14, until all of the Bonds have been paid in full as to both principal and interest. The owner or owners of any of the Bonds shall have the right in addition to all other rights, by mandamus or other suit or action in any court of competent jurisdiction, to enforce such owner's or owners' rights against the Municipality, the Governing Body, and any and all officers and agents thereof including, but without limitation, the right to require the Municipality, its Governing Body and any other authorized body, to fix and collect rates and charges fully adequate to carry out all of the provisions and agreements contained in this Resolution.

Section 18. Continuing Disclosure. The officers of the Municipality are authorized and directed, if requested by the State, to provide to the State of Wisconsin Clean Water Fund Program (the "CWFP") and to such other persons or entities as directed by the CWFP such ongoing disclosure regarding the Municipality's financial condition and other matters, at such times and in such manner as the CWFP may require, in order that securities issued by the Municipality and the CWFP satisfy rules and regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended or may be amended from time to time imposed on brokers and dealers of municipal securities before the brokers and dealers may buy, sell, or recommend the purchase of such securities.

Section 19. Conflicting Resolutions. All ordinances, resolutions, or orders, or parts thereof heretofore enacted, adopted or entered, in conflict with the provisions of this Resolution, are repealed, and this Resolution shall be in effect from and after its passage.

Section 20. Pre- and Post-Issuance Compliance Policy and Procedures. The Municipality has been provided with a Pre- and Post-Issuance Compliance Policy and Procedures which applies to qualifying obligations to provide for compliance with all applicable federal regulations for tax-exempt obligations or tax-advantaged obligations (collectively, the "Policy and Procedures"). The Municipality hereby approves the Policy and Procedures which have been presented to the Common Council. The City Administrator/Clerk-Treasurer is designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.

Dated: December 20, 2016

CITY OF SHELL LAKE, WISCONSIN

Sally Peterson, Mayor

Attest:

Andrew Eiche, Administrator/Clerk-Treasurer

EXHIBIT A
FORM OF BOND

**REGISTERED
NO. R-1**

**UNITED STATES OF AMERICA
STATE OF WISCONSIN
COUNTY OF WASHBURN
CITY OF SHELL LAKE**

**REGISTERED
\$315,663**

SEWERAGE SYSTEM REVENUE BONDS, SERIES 2016

Annual Interest Rate	Final Maturity Date	Date of Original Issue
1.960%	May 1, 2036	December 28, 2016

REGISTERED OWNER: STATE OF WISCONSIN CLEAN WATER FUND PROGRAM

KNOW ALL PERSONS BY THESE PRESENTS that the City of Shell Lake, Washburn County, Wisconsin, (the "Municipality") acknowledges itself to owe and for value received promises to pay to the registered owner shown above, or registered assigns, solely from the fund hereinafter specified, the principal sum of an amount not to exceed Three Hundred Fifteen Thousand Six Hundred Sixty-Three (\$315,663) (but only so much as shall have been drawn hereunder, as provided below) on May 1 of each year commencing May 1, 2018 until the final maturity date written above, together with interest thereon (but only on amounts as shall have been drawn hereunder, as provided below) from the dates the amounts are drawn hereunder or the most recent payment date to which interest has been paid, at the rate of 1.960% per annum, calculated on the basis of a 360-day year made up of twelve 30-day months, such interest being payable on the first days of May and November of each year, with the first interest being payable on May 1, 2017.

The principal amount evidenced by this Bond may be drawn upon by the Municipality in accordance with the Financial Assistance Agreement entered by and between the Municipality and the State of Wisconsin by the Department of Natural Resources and the Department of Administration including capitalized interest transferred (if any). The principal amounts so drawn shall be repaid in installments on May 1 of each year commencing on May 1, 2017, in an amount equal to an amount which, when amortized over the remaining term of this Bond plus current payments of interest (but only on amounts drawn hereunder) at the rate per annum set forth above, shall result in equal annual payments of the total of principal and the semiannual payments of interest. The State of Wisconsin Department of Administration shall record such draws and corresponding principal repayment schedule on a cumulative basis in the format shown on the attached Exhibit A.

Both principal and interest hereon are payable to the registered owner in lawful money of the United States of America. On the final maturity date, principal of this Bond shall be payable only upon presentation and surrender of this Bond at the office of the Municipal Treasurer. Principal hereof (except the final maturity) and interest hereon shall be payable by electronic

transfer or by check or draft dated on or before the applicable payment date and mailed from the office of the Municipal Treasurer to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month next preceding such interest payment date.

The Bonds shall not be redeemable prior to their maturity, except with the consent of the registered owner.

This Bond is transferable only upon the books of the Municipality kept for that purpose at the office of the Municipal Treasurer, by the registered owner in person or its duly authorized attorney, upon surrender of this Bond, together with a written instrument of transfer (which may be endorsed hereon) satisfactory to the Municipal Treasurer, duly executed by the registered owner or its duly authorized attorney. Thereupon a replacement Bond shall be issued to the transferee in exchange therefor. The Municipality may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest hereof and for all other purposes. This Bond is issuable solely as a negotiable, fully-registered bond, without coupons, and in denominations of \$0.01 or any integral multiple thereof.

This Bond is issued for the purpose of providing for the payment of the cost of constructing improvements to the Sewerage System of the Municipality, pursuant to Article XI, Section 3, of the Wisconsin Constitution, Section 66.0621, Wisconsin Statutes, and a resolution adopted by the Governing Body of the Municipality on December 20, 2016, and entitled: "Resolution Authorizing the Issuance and Sale of up to \$315,663 Sewerage System Revenue Bonds, Series 2016, and Providing for Other Details and Covenants with Respect Thereto", and is payable only from the income and revenues derived from the operation of the Sewerage System of the Municipality (the "Utility"). This Bond does not constitute an indebtedness of said Municipality within the meaning of any constitutional or statutory debt limitation or provision.

It is certified, recited and declared that all acts, conditions and things required to exist, happen, and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law; and that sufficient of the income and revenue to be received by said Municipality from the operation of its Utility has been pledged to and will be set aside into a special fund for the payment of the principal of and interest on this Bond.

IN WITNESS WHEREOF, the Municipality having no corporate seal, has caused this Bond to be signed by the signatures of its Mayor and Administrator/Clerk-Treasurer, all as of the date of original issue specified above.

CITY OF SHELL LAKE, WISCONSIN

By: (form – do not sign here)
Sally Peterson, Mayor

["Seal" or "No Seal"]

By: (form – do not sign here)
Andrew Eiche, Administrator/Clerk-Treasurer

(Form of Assignment)

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

(Please print or typewrite name and address, including zip code, of Assignee).

Please insert Social Security or other
identifying number of Assignee

the within Bond, and all rights thereunder, irrevocably constituting and appointing

Attorney to transfer said Bond on the books kept for the registration thereof with full power of
substitution in the premises.

Dated: _____

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

Signature(s) guaranteed by:

EXHIBIT A TO BOND FORM

\$315,663

**CITY OF SHELL LAKE, WISCONSIN
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2016**

Amount of Disbursement	Date of Disbursement	Series of Bonds	Principal Repaid	Principal Balance
\$ _____	_____, 2016	Series 2016		

PRINCIPAL REPAYMENT SCHEDULE

Date	Payment Amount
May 1, 2018	\$13,872.35
May 1, 2019	\$14,144.25
May 1, 2020	\$14,421.47
May 1, 2021	\$14,704.14
May 1, 2022	\$14,992.34
May 1, 2023	\$15,286.19
May 1, 2024	\$15,585.80
May 1, 2025	\$15,891.28
May 1, 2026	\$16,202.75
May 1, 2027	\$16,520.32
May 1, 2028	\$16,844.12
May 1, 2029	\$17,174.26
May 1, 2030	\$17,510.88
May 1, 2031	\$17,854.09
May 1, 2032	\$18,204.03
May 1, 2033	\$18,560.83
May 1, 2034	\$18,924.62
May 1, 2035	\$19,295.54
May 1, 2036	\$19,673.74