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CERTIFIED RECORD  
OF  
PROCEEDINGS  
OF  
THE GOVERNING BODY OF  
THE TOWN OF HILLROSE, COLORADO,  
WATER ENTERPRISE  
RELATING TO AN ORDINANCE  
AUTHORIZING THE ISSUANCE OF ITS  
WATER REVENUE BONDS  
SERIES 2008A  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$44,000

ORDINANCE NO. 105

AN ORDINANCE AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN RESOLUTION BY AND AMONG THE UNITED STATES OF AMERICA (RURAL UTILITIES SERVICE) AND THE TOWN OF HILLROSE, COLORADO WATER ENTERPRISE, DATED AS OF APRIL 2, 2007, AND THE ISSUANCE OF A GOVERNMENTAL AGENCY BOND (TOWN OF HILLROSE, COLORADO, WATER ENTERPRISE, WATER REVENUE BOND, SERIES 2008A, IN A PRINCIPAL AMOUNT NOT TO EXCEED \$44,000.

BE IT ORDAINED BY THE GOVERNING BODY OF THE TOWN OF HILLROSE, COLORADO, WATER ENTERPRISE THAT:

Section 1. Definitions and Construction.

A. Definitions. In this Ordinance the following terms have the following respective meanings unless the context hereof clearly requires otherwise:

(1) Acquire or Acquisition: the design, construction, reconstruction, purchase, lease, gift, transfer, assignment, option to purchase, grant from the federal government or any public body or other person, endowment, bequest, devise, installation, condemnation, contract, or other acquirement or other provision, or any combination thereof, of facilities, other property, any project, or an interest therein as authorized by the Act.

(2) Act: part 4 of article 35 of title 31, Colorado Revised Statutes, as amended.

(3) Additional Parity Bonds: any bonds, warrants, notes, Securities, leases or other contracts payable from the Net Revenues equally or on a parity with the Bonds issued after the issuance of the Bonds.

(4) Board: the governing body of the Town.

(5) Bond Fund: the special fund created and referred to in Section 5D hereof.

(6) Bond Year: initially, September 17, 2008 to March 17, 2009; thereafter, the 12 months commencing on the 17th day of March of any calendar year and ending on the 16th day of March of the next succeeding calendar year.

(7) Bonds: the Enterprise's Water Revenue Bonds, Series 2008A, dated the date the Bonds are delivered to the Purchaser, in the aggregate principal amount of \$44,000 issued following the execution and delivery of the Loan Resolution.

(8) Chairman: the Chairman of the Governing Body.

(9) Code: the Internal Revenue Code of 1986, as amended.

(10) Commercial Bank: a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation and of the Federal Reserve System, which has capital and surplus of \$1,000,000 or more and which is located within the United States of America.

(11) Costs of the Project: all or any part of the cost of Acquisition, Improvement and Equipment of all or any part of the Project, including without limitation all or any property, rights, easements, privileges, agreements and franchises deemed by the Enterprise to be necessary or useful and convenient therefor or in connection therewith, interest or discount on the Bonds, Costs of Issuance, engineering and inspection costs, legal expenses, costs of financial, professional and other estimates and advice, contingencies, any administrative, operating and other expenses of the Enterprise prior to and during such Acquisition, Improvement and Equipment and additionally during a period not exceeding one year after the completion thereof, as may be estimated and determined by the Enterprise, all such other expenses as may be necessary or incident to the financing, Acquisition, Improvement, Equipment and completion of the Project or any part thereof and the placing of the same in operation, provision of reserves for working capital, operation, maintenance or replacement expenses or for payment or security of principal of or interest on the Bonds during or after such Acquisition, Improvement or Equipment, as the Enterprise may determine, and reimbursements to the Enterprise or any other Person of any moneys theretofore expended for the purposes of the Enterprise or other public body or to the federal government of any moneys theretofore expended for or in connection with the Project.

(12) Costs of Issuance: all financial, legal, accounting and rating fees, any premiums for insurance on or relating to the Bonds, the fees and expenses of the Paying Agent, Registrar and Transfer Agent and all costs of printing, mailing and publication incurred in connection with the issuance of the Bonds.

(13) Debt Service Requirements: the scheduled principal of, interest on and any premium due in connection with the redemption of Bonds, any Additional Parity Bonds, or any other Securities payable from the Net Revenues.

(14) Debt Service Reserve Fund: the special fund created and referred to in Section 5E hereof.

(15) Enterprise: the Town of Hillrose, Colorado, Water Enterprise.

(16) Enterprise Ordinance: Town Ordinance No. 97, establishing the Enterprise and authorizing the Enterprise to have and exercise certain powers in furtherance of its purposes.

(17) Equip or Equipment: the furnishing of all necessary or desirable, related or appurtenant machinery and other facilities, or any combination thereof, appertaining to any property, project or interest therein, as authorized by the Act.

(18) Event of Default: any one of the events described in Section 10A hereof.

(19) Federal Securities: bills, certificates of indebtedness, notes or bonds which are direct obligations of, or the principal and interest on which obligations are unconditionally guaranteed by, the United States of America.

(20) Governing Body: the governing body of the Enterprise.

(21) Improve or Improvement: any addition, extension, enlargement, betterment, replacement or improvement or any combination thereof, of facilities, other property, any project or any interest therein, as authorized by the Act, but not including reconstruction, replacement, repair or other renewal of existing facilities that does not increase the capacity of the Water Facilities or improve the treatment technology.

(22) Independent Accountant: any certified public accountant, or any firm of such accountants, duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the Enterprise or the Town, who or which (a) is, in fact, independent and not under the domination of the Enterprise or the Town, (b) does not have any substantial interest, direct or indirect, in any of the affairs of the Enterprise or the Town, and (c) is not connected with the Enterprise or the Town as a member, officer or employee but who may be regularly retained to make annual or similar audits of any books or records of the Town.

(23) Loan Resolution: means the Loan Resolution by and among the United States of America, Rural Utilities Service, and the Town of Hillrose, Colorado Water Enterprise, dated as of April 2, 2007, for the issuance of the Series 2008A Bonds.

(24) Maturity Date: a date designated by ordinance for the payment of principal of the Bonds or any other designated Securities.

(25) Net Revenues: all Revenues remaining after the deduction of Operating Expenses.

(26) Operating Expenses: such reasonable and necessary current expenses of the Town, paid or accrued, of operating, maintaining and repairing the Water Facilities as may be determined by the Town, including, except as limited by contract or otherwise limited by law, without limiting the generality of the foregoing:

(a) Engineering, auditing, legal and other overhead expenses directly related and reasonably allocable to the administration, operation and maintenance of the Water Facilities;

(b) Insurance, surety bond and interest rate cap agreement premiums appertaining to the Water Facilities;

(c) The reasonable charges of any paying agent, registrar, transfer agent, depository or escrow bank appertaining to any securities payable from the Net Revenues;

(d) Annual payments to pension, retirement, health and hospitalization funds appertaining to the Water Facilities;

(e) Any taxes, assessments, franchise fees or other charges or payments in lieu of the foregoing;

(f) Ordinary and current rentals of equipment or other property;

(g) Contractual services, professional services, salaries, administrative expenses and costs of labor appertaining to the Water Facilities and the cost of materials and supplies used for current operation or routine maintenance and repair of the Water Facilities;

(h) The costs incurred in the collection of all or any part of the Revenues;

(i) Any costs of utility services furnished to the Water Facilities by the Town or otherwise;

(j) Any indemnification obligations payable to the Purchaser for any payments made or losses suffered by the Purchaser as a consequence of its purchase of the Bonds, other than payments of Debt Service Requirements; and

(k) Any other such expenses considered by the Town in determining the amount of Water rates, fees, tolls and charges imposed for operation and maintenance.

“Operating Expenses” does not include:

(a) Any allowance for depreciation;

(b) Any costs of improvements, extensions, or betterments;

(c) Any accumulation of reserves for capital replacements;

(d) Any accumulation of reserves for operation, maintenance or repair of the Water Facilities;

(e) Any allowance for the redemption of any bonds or other Securities payable from the Net Revenue or the payment of any interest thereon;

(f) Any liabilities incurred in the Acquisition of any properties comprising the Water Facilities or any existing properties comprising the Water Facilities or any combination thereof; and

(g) Any other ground of legal liability not based on contract.

(27) Operation and Maintenance Fund: the special fund created and referred to in Section 5C hereof.

(28) Ordinance: this Ordinance No. 105 of the Governing Body.

(29) Outstanding: as of any particular date, all the Bonds, Additional Parity Bonds, and such other Securities payable in whole or in part from the Net Revenues which have been authorized, executed and delivered, except the following:

(a) Any Bond, Additional Parity Bond or other Security cancelled by the Paying Agent or otherwise on behalf of the Enterprise on or before such date;

(b) Any Bond, Additional Parity Bond or other Security held by or on behalf of the Enterprise;

(c) Any Additional Parity Bond or other Security of the Enterprise for the payment or the redemption of which moneys or Federal Securities sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to pay all of the Debt Service Requirements of such Additional Parity Bond or other Security to the Maturity Date or specified Redemption Date thereof shall have theretofore been deposited in escrow or in trust with a Trust Bank for that purpose; and

(d) Any lost, destroyed, or wrongfully taken Bond, Additional Parity Bond or other Security of the Enterprise in lieu of or in substitution for which another bond or other Security shall have been executed and delivered.

(30) Owner: the holder of any bearer security or registered owner of any registered security.

(31) Paying Agent: the Secretary, or his or her successors.

(32) Payment Date: a date designated by ordinance for the payment of principal and interest on the Bonds or any other designated Securities.

(33) Permitted Investments: obligations permitted under part 6 of article 75 of title 24, Colorado Revised Statutes, as amended, constituting readily marketable securities backed by the full faith and credit of the United States of America.

(34) Person: any individual, firm, partnership, corporation, company, association, joint stock association or body politic or any trustee, receiver, assignee or similar representative thereof.

(35) Project: the portion of the Water Facilities for the Acquisition, Improvement and Equipment for which the Bonds are issued hereunder.

(36) Project Fund: The special fund created and referred to in Section 5A hereof.

(37) Purchaser: United States of America, Rural Utilities Service.

(38) Redemption Date: a date fixed for the redemption prior to maturity of any Bonds or other designated Securities in any ordinance or in any notice of prior redemption given by or on behalf of the Enterprise.

(39) Registrar: the Paying Agent, or his or her successors.

(40) Regular Record Date: the fifteenth day of the calendar month next preceding a Payment Date for the Bonds.

(41) Revenues: all income from rates, fees, tolls and charges and tap fees and plant investment fees, or any combination thereof, but not special assessments, for the services furnished by, or the direct or indirect connection with, or the use of, the Water Facilities, including without limiting the generality of the foregoing, minimum charges, charges for the availability of service, disconnection fees, reconnection fees and reasonable penalties for any delinquencies, and all income or other gain, if any, from any investment of income and of the proceeds of securities payable from Net Revenues (except income or other gain from any investment of moneys held in an escrow fund or account for the defeasance of securities payable from the Net Revenues or any other similar fund) to the extent not required to be rebated to the federal government.

(42) Secretary: the Secretary of the Governing Body.

(43) Security: any bond issued by the Enterprise or any other evidence of the advancement of money to the Enterprise or the Town.

(44) Special Record Date: the date fixed by the Paying Agent for the determination of ownership of Bonds for the purpose of paying interest not paid when due or interest accruing after maturity.

(45) State: the State of Colorado.

(46) Subordinate Bonds or Subordinate Securities: bonds or Securities payable from the Net Revenues having a lien thereon subordinate or junior to the lien thereon of the Bonds.



(47) Superior Bonds or Superior Securities: bonds or Securities payable from the Net Revenues having a lien thereon superior or senior to the lien thereon of the Bonds.

(48) Town: the Town of Hillrose, Colorado.

(49) Transfer Agent: the Paying Agent, or his or her successors.

(50) Treasurer: the Treasurer of the Enterprise.

(51) Trust Bank: a Commercial Bank which is authorized to exercise and is exercising trust powers.

(52) Water Facilities: any one or more works and improvements owned by the Town and used in and as a part of the collection and treatment of Water, including, but not limited to, collection and transmission lines, filtration and treatment plants and works, power plants, all pumping, power, and other equipment and appurtenances, all extensions, improvements, remodeling, additions, and alterations thereof, and any and all rights or interests in such works and improvements and all other necessary incidental, or appurtenant properties, facilities, equipment and costs relating to the foregoing.

(53) Water Fund: the special fund created and referred to in Section 5B hereof.

B. Construction. This Ordinance, except where the context by clear implication herein otherwise requires, shall be construed as follows:

(1) Words in the singular include the plural, and words in the plural include the singular.

(2) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates words of the neuter gender refer to any gender.

(3) Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs of this Ordinance so numbered or otherwise so designated.

(4) The titles and headlines applied to articles, sections and subsections of this Ordinance are inserted only as a matter of convenience and ease in reference and in no way define or limit the scope or intent of any provisions of this Ordinance.

## Section 2. Recitals.

A. The Enterprise desires to finance the Acquisition, Improvement and Equipment of the Project.

B. Pursuant to the Enterprise Ordinance, the Town has established the Enterprise as an enterprise of the Town within the meaning of art. X, § 20 of the Colorado Constitution and has authorized the Enterprise to have and exercise the following powers to hold meetings concurrently with regular or special meetings of the Governing Body, to adopt ordinances and resolutions in the manner in which Town ordinances and resolutions may be adopted, to issue revenue bonds in the manner in which Town revenue bonds may be issued without voter approval in advance, to pledge any revenue of the Water Facilities to the payment of such revenue bonds and to pay such revenue bonds therefrom, to enter into contracts relating to the Water Facilities in the manner in which Town contracts may be entered into, to make representations, warranties and covenants on behalf of the Town relating to the Water Facilities and to bind the Town to perform any obligation relating to the Water Facilities other than any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future years, and to exercise the Town's legal authority relating to Water activities.

C. The Governing Body deems it necessary and advantageous for the Enterprise at this time to issue the Bonds for the purpose of financing the Project. The Enterprise is unable to finance the Project in whole from its own resources or through commercial credit at reasonable rates and terms.

D. The Governing Body has received a commitment from the Purchaser to purchase the Bonds on terms favorable to the Enterprise, and the Governing Body has determined that it is in the best interest of the Enterprise to sell the Bonds to the Purchaser without competitive bidding. The Enterprise has previously adopted the Loan Resolution, which contains certain provisions relating to the Bonds that are to be binding upon the Enterprise as long as the Bonds are held or insured by the Purchaser or its assignee.

### Section 3. The Bonds.

A. Authorization. The Bonds, payable as to all Debt Service Requirements solely out of Net Revenues, are hereby authorized to be issued, the proceeds of the Bonds, together with other funds of the Enterprise, to be used solely to pay the Costs of the Project.

#### B. Bond Details.

(1) Generally. The Bonds shall be issued in fully registered form in denominations of \$1,000 or any integral multiples thereof.

Pursuant to the recommendations of the Committee on Uniform Security Identification Procedures, CUSIP numbers may be printed on the Bonds.

The Bonds shall have a final maturity date of September 17, 2048, and shall bear interest from the date of delivery of the Bonds to the Purchaser or the Payment Dates to which interest has been paid next preceding their respective dates, whichever is later, to their Maturity Date, except if redeemed prior thereto, at the rate of 4.375% per annum as set forth in payment notifications or automatic withdrawal arrangements initiated by the Purchaser. Said principal and interest payment shall be payable in equal installments of \$1,170 (except that the final payment shall be \$1,191) beginning March 17, 2009, and

semiannually thereafter on the 17th day of March and the 17th day of September of each year until the final maturity date of September 17, 2048, as set forth in the schedule attached hereto as Exhibit A. If upon presentation at maturity the principal of any Bond is not paid as provided therein, interest shall continue thereon at the same interest rate until the principal thereof is paid in full.

The Debt Service Requirements of the Bonds shall be payable in lawful money of the United States of America, to the Owners of the Bonds by the Paying Agent. The principal and the final installment of interest shall be payable to the Owner of each Bond upon presentation and surrender thereof at maturity or upon prior redemption, by check or draft mailed to such Owner at the address appearing on the registration books of the Enterprise maintained by the Registrar. The registered address of the Purchaser shall be Rural Development, Rural Utilities Service, 655 Parfet Street, Room E-100, Lakewood Colorado 80215 or at such other address as may be designated by the Purchaser. Except as hereinbefore and hereinafter provided, the interest shall be payable to the Owner of each Bond determined as of the close of business on the Regular Record Date irrespective of any transfer of ownership of the Bond subsequent to the Regular Record Date and prior to such Payment Date, by check or draft mailed to such Owner as aforesaid. Any interest not paid when due and any interest accruing after maturity shall be payable to the Owner of each Bond entitled to receive such interest determined as of the close of business on the Special Record Date irrespective of any transfer of ownership of the Bond subsequent to the Special Record Date and prior to the date fixed by the Paying Agent for the payment of such interest, by check or draft mailed to such Owner as aforesaid. Notice of the Special Record Date and of the date fixed for the payment of such interest shall be given by sending a copy thereof by certified or registered first-class, postage prepaid mail, at least ten (10) days prior to the special record date, to the Owner of each Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing at the address appearing on the registration books of the Enterprise. If the date for making or giving any payment, determination or notice described herein is a Saturday, Sunday, legal holiday or any other day on which the office of the Paying Agent or Registrar is authorized or required by law to remain closed, such payment, determination or notice shall be made or given on the next preceding day which is not a Saturday, Sunday, legal holiday or other day on which the office of the Paying Agent or Registrar is authorized or required by law to remain closed.

(2) Redemption. The Bonds shall be subject to optional redemption prior to their Maturity Date, in whole or in part by lot, on any date at a price equal to the principal amount of each Bond so redeemed plus accrued interest thereon to the Redemption Date.

The Bonds shall also be subject to mandatory redemption prior to their Maturity Date, in whole or in part by lot, on the earliest practicable date, at a price equal to the principal amount of each Bond so redeemed plus accrued interest thereon to the Redemption Date, if (1) it appears to the Purchaser that the Enterprise is able to refinance, in whole or in part, the Outstanding Bonds by obtaining a loan from responsible cooperative or private sources at reasonable rates and terms for loans for

similar purposes and periods of time, and (2) upon the Purchaser's direction, the Enterprise applies for and accepts such a loan.

Bonds which are redeemable prior to their Maturity Date may be redeemed in part. Such Bonds shall be treated as representing a corresponding number of separate Bonds in any denominations selected by the Paying Agent. Any such Bond to be redeemed in part shall be surrendered for partial redemption in the manner hereinafter provided for transfers of ownership. Upon payment of the redemption price of any such Bond redeemed in part the Owner thereof shall receive a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond surrendered. If the Bonds are held as a single Bond in a denomination equal to the entire principal amount of the Bonds, the Owner thereof may elect not to surrender such Bond upon redemption in part, and the Enterprise shall thereupon pay the redemption price of the Bond redeemed in part without surrender thereof and thereafter treat the Bond as being in a denomination equal to the unredeemed portion of such Bond.

Notice of redemption shall be given by the Paying Agent in the name of the Enterprise by sending a copy thereof by certified or registered first-class postage prepaid mail, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to the Owner of each of the Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice, at the address appearing on the registration books of the Enterprise. Such notice shall specify the number or numbers of the Bonds to be redeemed, whether in whole or in part, the principal amounts thereof and the date fixed for redemption and shall further state that on the Redemption Date there will be due and payable upon each Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the Redemption Date and that from and after such date interest will cease to accrue. Failure to mail any notice as aforesaid or any defect in any notice so mailed with respect to any Bond shall not affect the validity of the redemption proceedings with respect to any other Bond. Any Bonds redeemed prior to their Maturity Date by call for prior redemption or otherwise shall not be reissued and shall be cancelled the same as Bonds paid at or after maturity.

(3) Interest Rates. The maximum net effective interest rate authorized for the Bonds is 4.375% per annum, and the actual net effective interest rate of the Bonds does not exceed 4.375% per annum.

(4) Execution and Authentication. The Bonds shall be executed by and on behalf of the Enterprise with the manual or facsimile signature of the Chairman, shall bear a manual or facsimile impression of the seal of the Enterprise, shall be attested with the manual or facsimile signature of the Secretary, shall be countersigned with the manual or facsimile signature of the Treasurer and shall be authenticated with the manual signature of the Registrar. Should any officer whose facsimile signature appears on the Bonds cease to be such officer before delivery of the Bonds to the Purchaser, such facsimile signature shall nevertheless be valid and sufficient for all purposes. No Bond shall be valid or become obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until the certificate of authentication on such Bond shall have been duly executed by the Registrar, and such executed certificate upon

any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance.

(5) Registration, Transfer and Exchange. Upon their execution and authentication and prior to their delivery, the Bonds shall be registered for the purpose of payment of principal and interest by the Registrar. Thereafter, the Bonds shall be transferable only upon the registration books of the Enterprise by the Transfer Agent at the request of the Owner thereof or his, her or its duly authorized attorney-in-fact or legal representative. A Bond may be transferred upon surrender thereof together with a written instrument of transfer duly executed by the Owner or his, her or its duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the Transfer Agent, containing written instructions as to the details of the transfer, along with the social security number or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The Transfer Agent shall not be required to transfer ownership of any Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Bond selected for redemption on or after the date of such mailing. The Owner of any Bond or Bonds may also exchange such Bond or Bonds for another Bond or Bonds of authorized denominations. Transfers and exchanges shall be made at the expense of the transferor or exchanger, and the Transfer Agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Bonds. No transfer or exchange of any Bond shall be effective until entered on the registration books of the Enterprise. In the case of every transfer or exchange, the Registrar shall authenticate and the Transfer Agent shall deliver to the new Owner a new Bond or Bonds of the same aggregate principal amount, maturing in the same year and bearing interest at the same per annum rate as the Bond or Bonds surrendered. Such Bond or Bonds shall be dated as of their date of authentication. New Bonds delivered upon any transfer or exchange shall be valid obligations of the Enterprise, evidencing the same obligations as the Bonds surrendered, shall be secured by this Ordinance and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered. The Enterprise may deem and treat the Person in whose name any Bond is last registered upon the books of the Enterprise as the absolute owner thereof for the purpose of receiving payment of the principal of and interest on such Bond and for all other purposes, and all such payments so made to such Person or upon his, her or its order shall be valid and effective to satisfy and discharge the liability of the Enterprise upon such Bond to the extent of the sum or sums so paid, and the Enterprise shall not be affected by any notice to the contrary.

(6) Resignation of Agents. If the Paying Agent, Registrar or Transfer Agent shall resign, or if the Enterprise shall reasonably determine that the Paying Agent, Registrar or Transfer Agent has become incapable of fulfilling his or her duties hereunder, the Enterprise may, upon notice mailed to each Owner of Bonds at the addresses last shown on the registration books of the Enterprise, appoint a successor paying agent, registrar or transfer agent. Every such successor paying agent, registrar or transfer agent shall be a Commercial Bank. It shall not be required that the same institution serve as paying agent, registrar, and transfer agent hereunder, but the

Enterprise shall have the right to have the same institution serve as paying agent, registrar and transfer agent hereunder.

(7) Replacement of Bonds. If any Bond shall have been lost, destroyed or wrongfully taken, it may be reissued in the form and tenor of the lost, destroyed or wrongfully taken Bond upon the Owner's furnishing, to the satisfaction of the Registrar: (a) proof of ownership, (b) proof of loss, destruction or theft, (c) a surety bond in the amount of all principal and interest remaining unpaid on the Bond, and (d) payment of the cost of preparing and issuing the new Bond. Nothing herein prohibits the Enterprise from reissuing, upon such terms and conditions as the Enterprise may determine, provided that such terms and conditions are not otherwise contrary to the provisions of this Ordinance or the requirements of law, any Outstanding Bond which shall not have become lost, destroyed, or wrongfully taken.

(8) Recitals in Bonds. Each Bond shall recite in substance that the Bond is a special and limited obligation of the Enterprise payable solely out of and secured by an irrevocable pledge of and first lien (but not necessarily an exclusive first lien) upon the Net Revenues, that the Bond does not constitute a debt or an indebtedness of the Enterprise or the Town within the meaning of any constitutional or statutory provision or limitation, that the Bond is not payable in whole or in part from the proceeds of general property taxes, and that the full faith and credit of the Town is not pledged for the payment of the principal of or interest on the Bond. Each Bond shall further recite that it is issued under the authority of the State Constitution, the Act and this Ordinance. Such recital shall conclusively impart full compliance with all of the provisions of the Act, and all Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

(9) Form of Bonds. The Bonds shall be in substantially the following form:

[Form of Bond]

(Text of Face)

UNITED STATES OF AMERICA  
STATE OF COLORADO

TOWN OF HILLROSE, COLORADO, WATER ENTERPRISE  
WATER REVENUE BOND  
SERIES 2008A

No. R-1 \$44,000

<u>Interest Date</u>	<u>Maturity Date</u>	<u>Original Date</u>
4.375%	September 17, 2048	September 17, 2008

REGISTERED OWNER: United States of America

PRINCIPAL SUM: Forty-Four Thousand Dollars

The Town of Hillrose, Colorado, Water Enterprise (the "Enterprise"), for value received, hereby promises to pay to the Registered Owner (specified above), or registered assigns, solely from the special funds pledged therefor, as hereinafter set forth, the Principal Sum (specified above), in lawful money of the United States of America, on the Maturity Date (specified above), with interest thereon from the Original Date (specified above), or the payment date to which principal and interest has been paid next preceding the date hereof, whichever is later, to the Maturity Date, except if redeemed prior thereto, at the per annum Interest Rate (specified above), as set forth in payment notifications or automatic withdrawal arrangements initiated by the United States of America, Rural Utilities Service, payable in equal installments beginning March 17, 2009, and semiannually thereafter on the 17th day of March and the 17th day of September of each year until the final maturity date of September 17, 2048, or the first such date after the date hereof, whichever is later, in the manner provided herein. If upon presentation at maturity payment of the Principal Sum is not made as provided herein, interest continues at the Interest Rate until the Principal Sum is paid in full.

The Bonds are subject to optional redemption prior to the Maturity Date, in whole or in part by lot, at any time at a price equal to the principal amount of each Bond so redeemed plus accrued interest thereon to the redemption date.

The Bonds are also subject to mandatory redemption prior to the Maturity Date, in whole or in part by lot, on the earliest practicable date, at a price equal to the principal amount of each Bond so redeemed plus accrued interest thereon to the redemption date, if (1) it appears to the United States of America, Rural Utilities Service that the Enterprise is able to refinance, in whole or in part, the outstanding Bonds by obtaining a loan from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time,

and (2) upon the direction of the United States of America, Rural Utilities Service, the Enterprise applies for and accepts such a loan.

Bonds which are redeemable prior to the Maturity Date may be redeemed in part. In such case the Bond is to be surrendered in the manner provided for transfers of ownership. Upon payment of the redemption price the registered owner is to receive a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond surrendered. If the Principal Sum of this Bond is equal to the entire principal amount of the Bonds, the registered owner may elect not to surrender this Bond upon redemption in part, and the Enterprise shall thereupon pay the redemption price of this Bond redeemed in part without surrender thereof and thereafter treat such Bond as having a Principal Sum equal to the unredeemed portion of such Bond.

Notice of redemption of any Bonds is to be given by the paying agent in the name of the Enterprise by sending a copy of such notice by certified or registered first-class postage prepaid mail, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of each of the Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice at the address appearing on the registration books of the Enterprise. Such notice is to specify the number or numbers of the Bonds to be redeemed, whether in whole or in part, the principal amounts thereof and the date fixed for redemption and is further to state that on the redemption date there will be due and payable upon each Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the redemption date and that from and after such date interest will cease to accrue. Failure to mail any notice as aforesaid or any defect in any notice so mailed with respect to any Bond does not affect the validity of the redemption proceedings with respect to any other Bond.

The principal of and interest on this Bond are payable to the Registered Owner by the Secretary of the Enterprise or his or her successors, as paying agent. The principal and the final installment of interest are payable to the Registered Owner upon presentation and surrender of this Bond at maturity or upon prior redemption, by check or draft mailed to the Registered Owner at the address appearing on the registration books of the Enterprise maintained by the Secretary of the Enterprise, or his or her successors, as registrar. The registered address of the United States of America, Rural Utilities Service shall be Rural Development, Rural Utilities Service, 655 Parfet Street, Room E-100, Lakewood Colorado 80215 or at such other address as may be designated by the United States of America (Rural Utilities Service). Except as hereinbefore and hereinafter provided, the principal of and interest on this Bond is payable to the Registered Owner determined as of the close of business on the regular record date, which is the fifteenth day of the calendar month next preceding the payment date, irrespective of any transfer of ownership hereof subsequent to the regular record date and prior to such payment date, by check or draft mailed to the Registered Owner as aforesaid. Any interest hereon not paid when due and any interest hereon accruing after maturity is payable to the Registered Owner determined as of the close of business on the special record date, which is to be fixed by the paying agent for such purpose, irrespective of any transfer of ownership of this Bond subsequent to such special record date and prior to the date fixed by the paying agent for the payment of such interest, by check or draft mailed to the Registered Owner as aforesaid. Notice of the special record date and of the date fixed for the payment of such interest is to be given by



sending a copy thereof by certified or registered first-class postage prepaid mail, at least 10 days prior to the special record date, to the registered owner of each Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing, at the address appearing on the registration books of the Enterprise. If the date for making or giving any payment, determination or notice described herein is a Saturday, Sunday, legal holiday or any other day on which the office of the paying agent or registrar is authorized or required by law to remain closed, such payment, determination or notice is to be made or given on the next preceding day which is not a Saturday, Sunday, legal holiday or other day on which the office of the paying agent or registrar is authorized or required by law to remain closed.

Payment of the principal of and interest on this Bond is to be made solely from, and as security for such payment there are irrevocably (but not necessarily exclusively) pledged, pursuant to the Ordinance authorizing the issuance of this Bond, the special funds thereby identified as the Bond Fund and the Debt Service Reserve Fund, into which the Enterprise has covenanted in the Ordinance to pay, from certain income derived from the operation and use of and otherwise pertaining to the Water facilities of the Town of Hillrose, Colorado (the "Town"), after provision is made only for the payment of all necessary and reasonable current expenses of operating, maintaining and repairing the Water facilities (such remaining revenues being the Net Revenues), sums sufficient to pay when due the principal of and interest on the Bonds and any parity securities payable from such revenues, and to accumulate and maintain a specified reserve for such purposes.

It is hereby recited, certified and warranted that for the payment of the principal of and interest on this Bond, the Enterprise has created and will maintain said special funds and will deposit the Net Revenues therein, and out of said special funds, as an irrevocable charge thereon, will pay the principal of and interest on this Bond in the manner provided by the Ordinance.

The Bonds are equitably and ratably secured by a lien on the Net Revenues, and such Bonds constitute an irrevocable and first lien (but not necessarily an exclusive first lien) upon the Net Revenues. Bonds and other types of securities, in addition to the Bonds, subject to expressed conditions, may be issued and made payable from the Net Revenues having a lien thereon subordinate and junior to the lien of the Bonds or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of such Bonds in accordance with the provisions of the Ordinance.

This Bond is a special and limited obligation of the Enterprise. This Bond does not constitute a debt or an indebtedness of the Enterprise or the Town within the meaning of any constitutional or statutory provision or limitation. This Bond is not payable in whole or in part from the proceeds of general property taxes or any other funds of the Town except the Net Revenues, and the full faith and credit of the Town is not pledged for the payment of the principal of or interest on this Bond.

The Enterprise covenants and agrees with the Registered Owner that it will keep and will perform all of the covenants of this Bond and of the Ordinance.

This Bond is authorized and issued for the purpose of acquiring, improving and equipping certain Water facilities for the Town under the authority of and in full conformity with the Constitution of the State of Colorado, part 4 of article 35 of title 31, Colorado Revised Statutes, as amended, all other laws of the State of Colorado thereunto enabling and pursuant to the Ordinance duly adopted prior to the issuance of this Bond. This recital conclusively imparts full compliance with all of the provisions of the above-cited statute, and said statute provides that this Bond is incontestable for any cause whatsoever after its delivery for value.

Reference is hereby made to the Ordinance, and to any and all modifications and amendments thereof, for a description of the provisions, terms and conditions upon which the Bonds of this issue are issued and secured, including, without limitation, the nature and extent of the security for the Bonds, provisions with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of the revenues and moneys charged with and pledged to the payment of the principal of and interest on the Bonds, the terms and conditions on which the Bonds are issued, a description of the special fund referred to above and the nature and extent of the security and pledge afforded thereby for the payment of the principal of and interest on the Bonds, and the manner of enforcement of said pledge, as well as the rights, duties, immunities and obligations of the Enterprise and the members of its Governing Body and also the rights and remedies of the registered owners of the Bonds.

To the extent and in the respects permitted by the Ordinance, the provisions of the Ordinance, or any instrument amendatory thereof or supplemental thereto, may be modified or amended by action of the Enterprise taken in the manner and subject to the conditions and exceptions provided in the Ordinance.

The Enterprise is prohibited from defeasing the Bonds other than by payment in full of all principal and interest without the prior written consent of the United States of America, Rural Utilities Service.

It is hereby recited, certified and warranted that all the requirements of law have been fully complied with by the proper officers of the Enterprise in the issuance of this Bond; that it is issued pursuant to and in strict conformity with the Constitution and all other laws of the State of Colorado; that this Bond does not contravene any constitutional or statutory provision or limitation of the State of Colorado; and that this Bond is issued under the authority of the Ordinance.

This Bond is transferable only upon the registration books of the Enterprise by the Secretary of the Enterprise, or his or her successors, as transfer agent, at the request of the Registered Owner or his, her or its duly authorized attorney-in-fact or legal representative, upon surrender hereof together with a written instrument of transfer duly executed by the Registered Owner or his, her or its duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the transfer agent, containing written instructions as to the details of the transfer, along with the social security number or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The transfer agent is not required to transfer ownership of this Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Bond selected for redemption on or after the date of such mailing. The

Registered Owner may also exchange this Bond for another Bond or Bonds of authorized denominations. Transfers and exchanges are to be made at the expense of the transferor or exchanger, and the transfer agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Bonds. No transfer or exchange of this Bond is to be effective until entered on the registration books of the Enterprise. In the case of every transfer or exchange, the registrar is to authenticate and the transfer agent is to deliver to the new registered owner a new Bond or Bonds of the same aggregate principal amount, maturing in the same year, and bearing interest at the same per annum rate as the Bond or Bonds surrendered. Such Bond or Bonds are to be dated as of their date of authentication. The Enterprise may deem and treat the person or entity in whose name this Bond is last registered upon the books of the Enterprise as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bond and for all other purposes, and all such payments so made to such person or entity or upon his, her or its order will be valid and effective to satisfy and discharge the liability of the Enterprise upon this Bond to the extent of the sum or sums so paid, and the Enterprise will not be affected by any notice to the contrary.

IN WITNESS WHEREOF, the Enterprise has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of the Chairman of the Governing Body, to be sealed with a manual or facsimile impression of its seal, to be attested by the manual or facsimile signature of its Secretary and to be countersigned with the manual or facsimile signature of its Treasurer.

TOWN OF HILLROSE, COLORADO,  
WATER ENTERPRISE

By: \_\_\_\_\_  
                    (Manual or Facsimile Signature)  
                    Chairman of the Governing Body

(SEAL)

ATTEST:

\_\_\_\_\_  
(Manual or Facsimile Signature)  
Secretary

COUNTERSIGNED:

\_\_\_\_\_  
Treasurer

CERTIFICATE OF AUTHENTICATION

This Bond is issued pursuant to the Ordinance herein described. Printed on the reverse hereof is the complete text of the opinion of bond counsel, Ballard Spahr Andrews & Ingersoll, LLP, Denver, Colorado, a signed copy of which, dated the date of the first delivery of the Bonds herein described, is on file with the undersigned.

SECRETARY OF THE ENTERPRISE  
as registrar

(Manual Signature) \_\_\_\_\_

Dated: September 17, 2008.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were 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 the right of survivorship and not as tenants in common

UNIF TRANS MIN ACT – \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

under Uniform Transfers to Minors Act

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not on the above list.

(Assignment)

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR  
OTHER IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(Name and Address of Assignee)

\_\_\_\_\_

this Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_, or its successors, to transfer this Bond on the books kept  
for registration thereof.

Dated: \_\_\_\_\_

Signature guaranteed:

\_\_\_\_\_

(Eligible Guarantor Institution)

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

Transfer Fee Required

[End of Form of Bond]

C. Bonds Equally Secured. The covenants and agreements herein set forth to be performed by or on behalf of the Enterprise shall be for the equal benefit, protection and security of the Owners of the Bonds and any Additional Parity Bonds then Outstanding, all of which, regardless of the time or times of their maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds and any Additional Parity Bonds then Outstanding over any other thereof, except as otherwise expressly provided in or pursuant to this Ordinance.

D. Special Obligations. All of the Bonds, as to all Debt Service Requirements thereof, shall be payable solely out of the Net Revenues. The Owners of the Bonds may not look to the general fund or any other fund of the Town for the payment of the Debt Service Requirements, except the special funds pledged therefor. The Bonds shall not constitute a debt or indebtedness of the Enterprise or the Town within the meaning of any constitutional or statutory provision or limitation, and the Bonds shall not be considered or held to be general obligations of the Town but shall constitute special and limited obligations of the Enterprise. The Bonds are not payable in whole or in part from the proceeds of general property taxes, and the full faith and credit of the Town is not pledged for payment of the Bonds.

Section 4. Sale of Bonds. The commitment for the purchase of the Bonds received from the Purchaser is hereby accepted by the Enterprise.

Section 5. Disposition of Bond Proceeds and Revenues; Funds and Accounts Created by Ordinance; Security for Bonds. The proceeds of the Bonds and the Revenues shall be deposited by the Enterprise in the funds described in this Section 5, to be accounted for in the manner and priority set forth in this Section 5.

Neither the Purchaser nor any subsequent Owner of any Bonds shall be in any manner responsible for the application or disposal by the Enterprise or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys designated in this Section 5.

The Net Revenues are hereby pledged to secure the payment of the Debt Service Requirements of the Bonds, subject to the application of the Net Revenues for the payment of Debt Service Requirements of Additional Parity Bonds. This pledge shall be valid and binding from and after the date of the first delivery of the Bonds, and the moneys, as received by the Enterprise and hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the Enterprise (except as herein otherwise expressly provided), and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Enterprise (except as herein otherwise expressly provided), irrespective of whether such parties have notice thereof.

A. Project Fund: The proceeds of the Bonds, except the sums required in Sections 5D and 5E hereof to be deposited in the Bond Fund and the Debt Service Reserve Fund, shall be deposited in the Project Fund hereby created and ordered established and shall be maintained, used and withdrawn only as provided in this Section 5A.



The proceeds of the Bonds so deposited in the Project Fund, except as herein otherwise expressly provided, shall be used and paid out from time to time solely for the purpose of paying the Costs of the Project and are pledged therefor. Any such proceeds remaining in the Project Fund after completion of the Project, shall be deposited in the Bond Fund and used for the purposes of the Bond Fund. The Enterprise shall use any proceeds of the Bonds credited to the Project Fund, without further order, to pay the Debt Service Requirements of the Bonds as the same become due whenever and to the extent moneys in the Bond Fund and the Debt Service Reserve Fund or moneys otherwise available therefore are insufficient for that purpose, unless such proceeds shall be needed to defray obligations accrued and to accrue under any contracts then existing and pertaining to the Project. Any moneys so used shall be restored to the Project Fund from the first Net Revenues thereafter received and not needed to meet the requirements provided in Sections 5D and 5E hereof.

B. Water Fund. There is hereby created and ordered established the Water Fund. Except as otherwise provided herein, the entire Revenues, upon receipt thereof from time to time by the Town, shall be set aside and credited immediately to the Water Fund.

The Water Fund shall be administered and the moneys on deposit therein shall be deposited and applied in the following order of priority:

- (1) First, to the Operation and Maintenance Fund to pay Operating Expenses in the manner set forth in Section 5C hereof;
- (2) Second, to the Bond Fund to pay the Debt Service Requirements of the Bonds and any Additional Parity Bonds in the manner set forth in Section 5D hereof;
- (3) Third, to the Debt Service Reserve Fund to be used in accordance with Section 5E hereof;
- (4) Fourth, to the payment of the Debt Service Requirements of Subordinate Bonds or other Subordinate Securities in accordance with Section 5G hereof; and
- (5) Fifth, to be used in accordance with Section 5H hereof.

C. Operation and Maintenance Fund. There is hereby created and ordered established the Operation and Maintenance Fund. As a first charge on the Water Fund, there shall be credited from time to time to the Operation and Maintenance Fund Revenues sufficient to pay the Operating Expenses of the Water Facilities as they become due and payable, and thereupon the Operating Expenses shall be promptly paid.

D. Bond Fund. There is hereby created and ordered established the Bond Fund. Subject to the payments required by Section 5C hereof, the Enterprise shall deposit Net Revenues in the Bond Fund which shall be applied to the payment when due of Debt Service Requirements of the Bonds and any Additional Parity Bonds.

The Bond Fund shall be maintained as a sinking fund for the mandatory sinking fund redemption of the Bonds.

E. Debt Service Reserve Fund. There is hereby created and ordered established the Debt Service Reserve Fund.

(1) Subject to the payments required by Sections 5C and 5D hereof and except as provided in Section 5F hereof, commencing March 17, 2009, and on each March 17 thereafter, the Enterprise shall deposit in the Debt Service Reserve Fund from the Net Revenues, the sum of \$204 until such time as the amounts in the Debt Service Reserve Fund equal \$2,340, and thereafter there shall be credited from time to time as hereinafter provided to the Debt Service Reserve Fund moneys sufficient to maintain the Debt Service Reserve Fund at an amount at least equal to \$2,340. In the event that the amount of the Debt Service Reserve Fund falls below said amount, the Enterprise shall credit to the Debt Service Reserve Fund from the Net Revenues that sum of money needed to accumulate or reaccumulate the amount therein so that at all times the amount of the Debt Service Reserve Fund equals said amount. The moneys required to be deposited in the Debt Service Reserve Fund shall be set aside, accumulated and, if necessary, reaccumulated from time to time, and maintained as a continuing reserve to be used, except as hereinafter provided in this Section 5E and Section 5F hereof, only to prevent deficiencies in payment of the Debt Service Requirements of the Bonds then Outstanding to which the Debt Service Reserve Fund is pledged resulting from failure to deposit into the sufficient funds to pay such Debt Service Requirements as the same become due.

If at any time the Enterprise shall for any reason fail to pay into the Bond Fund the full amount stipulated for payment of the Debt Service Requirements of the Bonds then Outstanding to which the Debt Service Reserve Fund is pledged, then, with the prior written consent of the Purchaser, an amount shall be paid into the Bond Fund at such time from the Debt Service Reserve Fund equal to the difference between that paid from the Bond Fund and the full amount so stipulated. With the prior written consent of the Purchaser, amounts may also be withdrawn from the Debt Service Reserve Fund for: (a) paying the cost of emergency maintenance, (b) replacing short-lived assets of the Water Facilities which have a useful life significantly less than the repayment period of the Bonds, or (c) making extensions to Water Facilities. The money so used to pay deficiencies in the Bond Fund or for such other purposes enumerated above shall be replaced to the Debt Service Reserve Fund from the first moneys credited to the Water Fund thereafter received and not required to be otherwise applied by Sections 5C and 5D hereof.

If at any time the Enterprise shall for any reason fail to pay into the Debt Service Reserve Fund the full amount stipulated herein from the Net Revenues, the difference between the amount paid and the amount so stipulated shall in a like manner be paid therein from the first moneys credited to the Water Fund thereafter received and not required to be applied otherwise by Sections 5C and 5D hereof.

(2) Nothing in this Ordinance shall be construed as limiting the right of the Enterprise to substitute for the cash deposit required to be maintained hereunder a letter of credit, surety bond, insurance policy, agreement guaranteeing payment, or other

undertaking by a financial institution to ensure that cash in the amount otherwise required to be maintained hereunder will be available to the Enterprise as needed.

F. Termination of Deposits. No payment need be made into the Bond Fund if the amount in the Bond Fund is a sum at least equal to the entire amount of the Outstanding Bonds and any Outstanding Additional Parity Bonds, as to all Debt Service Requirements, to their respective Maturity Dates or to any Redemption Date or Redemption Dates on which the Enterprise shall have exercised or shall have obligated itself to exercise its option to redeem, prior to their respective Maturity Dates, any Bonds, any Additional Parity Bonds, then Outstanding and thereafter maturing, in which case moneys in the Bond Fund in an amount, except for any known interest or other gain to accrue from any investment or deposit of moneys pursuant to Section 6B hereof from the time of any such investment or deposit to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Debt Service Requirements, shall be used together with any such gain from such investments and deposits solely to pay such Debt Service Requirements as the same become due. Any moneys in excess thereof in the Bond Fund and any other moneys derived from the Revenues or otherwise pertaining to the Water Facilities may be used in any lawful manner determined by the Enterprise.

G. Payment of Subordinate Securities. After there has been deposited to the Bond Fund an amount sufficient to pay all the Debt Service Requirements due on the next Payment Date on all Bonds and Additional Parity Bonds then Outstanding to be made in the current Bond Year have been made, any moneys remaining in the Water Fund for such Bond Year may be used by the Enterprise or the Town for the payment of Debt Service Requirements of Subordinate Securities payable from the Net Revenues and authorized to be issued in accordance with this Ordinance; but the lien of such Subordinate Securities on the Net Revenues and the pledge thereof for the payment of such Subordinate Securities shall be subordinate to the lien and pledge of the Bonds and any Additional Parity Bonds as herein provided.

H. Use of Remaining Revenues. After the payments required to be made by Sections 5A through 5G hereof are made, at the end of any Bond Year, or whenever in any Bond Year there shall have been credited to the Bond Fund all amounts required to be deposited in those special funds during said Bond Year, as herein provided, any remaining moneys credited to the Water Fund may be used only for the acquisition or erection of Water Facilities or for the acquisition, improvement or equipment of Water Facilities or for any one or any combination of Enterprise purposes as the Governing Body may from time to time determine.

I. Budget and Appropriation of Sums. The sums provided to make the payments specified in this Section 5 shall be appropriated by the Town for said purposes, and said amounts for each year shall be included in the annual budget and the appropriation ordinance, resolution or measures to be adopted or passed by the Governing Body in each year respectively while any of the Bonds, either as to principal or interest, are Outstanding and unpaid. No provisions of any constitution, statute, ordinance, resolution, or other order or measure enacted after the issuance of the Bonds shall in any manner be construed as limiting or impairing the obligation of the Enterprise or the Town to keep and perform the covenants contained in this Ordinance so long as any of the Bonds remain Outstanding and unpaid.

Section 6. General Administration of Funds.

A. Places and Times of Deposits. Each of the special funds or accounts adopted or created in Section 5 hereof shall be maintained in a Commercial Bank kept separate and apart from all other funds or accounts of the Enterprise as trust funds solely for the purposes herein designated. For purposes of investment of moneys, nothing herein prevents the commingling of moneys accounted for in any two or more such funds or accounts pertaining to the Revenues. Such funds or accounts shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds and shall be irrevocable and not withdrawable by anyone for any purpose other than the respective designated purposes of such funds or accounts. Each periodic payment shall be credited to the proper fund or account not later than the date therefor herein designated, except that when any such date shall be a Saturday, a Sunday or a legal holiday, then such payment shall be made on or before the next preceding business day.

B. Investment of Funds. Any moneys in any fund or account described in Section 5 hereof may be invested, reinvested or deposited only in Permitted Investments. Securities or obligations purchased as such investments shall either be subject to redemption at any time at face value by the Owner thereof at the option of such Owner or shall mature at such time or times as shall most nearly coincide with the expected need for moneys from the fund or account in question. Securities or obligations so purchased as an investment of moneys in any such fund or account shall be deemed at all times to be a part of the applicable fund or account; provided that the interest accruing on such investments and any profit realized therefrom shall be credited to the Water Fund, and any loss resulting from such investments shall be charged to the particular fund or account in question. The Enterprise shall present for redemption or sale on the prevailing market any securities or obligations so purchased as an investment of moneys in a given fund or account whenever it shall be necessary to do so in order to provide moneys to meet any required payment or transfer from such fund or account. The Enterprise shall not invest any moneys accounted for hereunder if any such investment would contravene the covenant contained in Section 8U hereof.

C. No Liability for Losses Incurred in Performing Terms of Ordinance. Neither the Enterprise nor any officer of the Enterprise shall be liable or responsible for any loss resulting from any investment or reinvestment made in accordance with this Ordinance.

D. Character of Funds. The moneys in any fund or account herein described shall consist of lawful money of the United States of America or Permitted Investments or both such money and Permitted Investments. Moneys deposited in a demand or time deposit account in or evidenced by a certificate of deposit of a Commercial Bank pursuant to Sections 6A and 6B hereof, secured according to the laws of the State, shall be deemed lawful money of the United States of America.

E. Accelerated Payments Optional. Nothing contained herein prevents the accumulation in any fund or account designated herein of any monetary requirements at a faster rate than the rate or minimum rate, as the case may be, provided therefor, but no payment shall be so accelerated if such acceleration shall cause a default in the payment of any obligation of the Enterprise pertaining to the Revenues.

Section 7. Priorities; Liens; Issuance of Additional Bonds.

A. First Lien on Net Revenues; Equality of Bonds. Except as expressly provided in this Ordinance with respect to Additional Parity Bonds and Subordinate Securities, the Net Revenues shall be and hereby are irrevocably pledged and set aside to pay the Debt Service Requirements of the Bonds.

The Bonds constitute an irrevocable and first lien (but not necessarily an exclusive first lien) upon the Net Revenues.

The Bonds and any Additional Parity Bonds issued and from time to time Outstanding shall be equitably and ratably secured by a lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance thereof, it being the intention of the Governing Body that there shall be no priority among the Bonds and any Additional Parity Bonds, regardless of the fact that they may be actually issued and delivered at different times.

B. Issuance of Additional Parity Bonds. Nothing herein, except the limitations stated in Section 7F hereof, prevents the issuance by the Enterprise or the Town of Additional Parity Bonds payable from the Net Revenues and constituting a lien on the Net Revenues on a parity with, but not prior or superior to, the lien thereon of the Bonds; but before any such Additional Parity Bonds are authorized or actually issued the following conditions shall be satisfied:

(1) Absence of Default. At the time of the issuance of the Additional Parity Bonds the Enterprise shall not be in default in making any payments required by Section 5 hereof.

(2) Application of Proceeds. The net proceeds of the Additional Parity Bonds shall be applied only to the redemption or defeasance, in whole or in part, of the Bonds or any other outstanding securities payable from the Net Revenues or for the Acquisition, Improvement or Equipment of Water Facilities, in either case including the costs of issuing and securing such Additional Parity Bonds.

(3) Historic Revenues Tests. Except for Additional Parity Bonds issued for the purpose of refunding less than all of the Bonds and other Additional Parity Bonds then Outstanding, the Net Revenues for any 12 consecutive complete months out of the last 18 complete months prior to the issuance of the proposed Additional Parity Bonds, as certified by an Independent Accountant, must have been equal to at least 120% of the combined average annual Debt Service Requirements of the Bonds then outstanding, any Additional Parity Bonds then outstanding, and the Additional Parity Bonds proposed to be issued. If any increase in Water rates, fees, tolls or charges is made by the Town during such 12-month period, the Independent Accountant shall adjust the calculation of the Net Revenues (excluding connection fees) to reflect the amount thereof that would have been received if such adjustment had been in effect throughout such 12-month period. For purposes of this Section 7B(2), when computing the average annual Debt Service Requirements for any issue of Securities bearing interest at a variable,

adjustable, convertible or other similar rate which is not fixed for the entire term thereof, it shall be assumed that any such Securities Outstanding at the time of the computation will bear interest during any period, at the highest of (a) the actual rate on the date of calculation or, if the Securities are not yet outstanding, the initial rate (if established and binding), (b) if the Securities have been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, and (c)(i) if interest on the Securities is excludible from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (ii) if interest is not so excludible, the interest rate on direct Federal Securities with comparable maturities plus 50 basis points. It shall further be assumed that any such Securities which may be tendered prior to maturity for purchase at the option of the holder thereof will mature on their stated maturity dates or mandatory redemption dates. The Enterprise or the Town shall be permitted to treat any fixed rate payable on an interest rate exchange agreement or "swap" contract as the interest rate on any such issue of securities if the counterparty to such agreement or contract has unconditionally agreed to pay all interest due on such securities. In the case of Additional Parity Bonds issued for the purpose of refunding less than all of the Bonds and any Additional Parity Bonds then Outstanding, compliance with this Section 7B(3) shall not be required so long as the Debt Service Requirements payable on all Bonds and any Additional Parity Bonds Outstanding after the issuance of such Additional Parity Bonds on each Payment Date does not exceed the Debt Service Requirements payable on all Bonds and any Additional Parity Bonds Outstanding prior to the issuance of such Additional Parity Bonds on such Payment Dates.

(4) Consent of Purchaser. The Purchaser shall have given its prior written consent to the issuance of the Additional Parity Bonds.

C. Certification of Revenues. Where certifications of revenues are required by this Ordinance, the specified and required written certifications of the Independent Accountant that revenues are sufficient to pay the required amounts shall be conclusively presumed to be accurate in determining the right of the Enterprise or the Town to authorize issue, sell and deliver Additional Parity Bonds.

D. Subordinate Securities Permitted. Nothing herein, except the limitations stated in Section 7F hereof, prevents the Enterprise or the Town from issuing Subordinate Securities for any lawful purpose, provided that the Purchaser shall have given its prior written consent to the issuance of such Subordinate Securities.

E. Superior Securities Prohibited. Neither the Enterprise nor the Town shall issue Superior Bonds or Superior Securities.

F. Supplemental Ordinances. Additional Parity Bonds or Subordinate Securities shall be issued only after authorization thereof by ordinance, supplemental ordinance or other instrument of the Governing Body or the Board, stating the purpose or purposes of the issuance of such additional Securities, directing the application of the proceeds thereof to such purpose or purposes, directing the execution thereof, and fixing and determining the date, series designation, principal amount, maturity or maturities, maximum rate or rates of interest and prior

redemption privileges with respect thereto, and providing for payments to and from the Water Fund in accordance with this Ordinance. All additional Securities shall bear such date, shall be payable as to interest and/or principal on March 15 and September 15 and shall be subject to redemption prior to maturity on such terms and conditions, as may be provided, and shall bear interest at such rate or rates as may be fixed by ordinance, instrument or other document of the Governing Body or the Board. Nothing herein shall preclude the Enterprise or the Town from issuing obligations the interest on which is payable more often than semiannually.

#### Section 8. Covenants.

The Enterprise hereby particularly covenants and agrees with the Owners of the Bonds from time to time, and makes provisions which shall be a part of its contract with such Owners, which covenants and provisions shall be kept by the Enterprise continuously until all of the Bonds have been fully paid and discharged:

A. Rate Maintenance. The Town shall prescribe, revise, and collect Water rates, fees, tolls and charges and tap fees which shall produce Revenues sufficient, together with any other moneys legally available therefor and credited to the Water Fund, to make the payments and accumulations required by this Ordinance and which shall produce Revenues sufficient, together with all other moneys legally available therefor and credited to the Water Fund after payment of Operating Expenses, to pay an amount at least equal to 120% of the Debt Service Requirements of the Outstanding Bonds and every other issue of Outstanding Additional Parity Bonds any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Net Revenues or any Securities payable therefrom.

In the event that the Water rates, fees, tolls and charges and tap fees at any time should not be sufficient to make all of the payments and accumulations required by this Ordinance, the Town shall increase its Water rates, fees, tolls and charges and tap fees to such extent as to insure the payments and accumulations required by the provisions of this Ordinance.

B. Collection of Charges. The Town shall cause all Water rates, fees, tolls and charges and tap fees to be billed promptly and collected as soon as reasonable, shall prescribe and enforce rules and regulations or impose contractual obligations for the payment thereof, to the end that the Net Revenues shall be adequate to meet the requirements of this Ordinance and any other ordinance or instrument supplemental thereto. The Water rates, fees, tolls and charges and tap fees shall be collected in any lawful manner.

C. Competent Management. The Town shall employ competent management personnel for each component of the Water Facilities. If the Enterprise shall fail to pay the Debt Service Requirements of the Bonds promptly as the same become due, or if the Enterprise or the Town shall fail to keep any of the covenants herein contained, and if such default shall continue for a period of 60 days, or if in any fiscal year the Net Revenues, together with any other moneys legally available therefor and credited to the Water Fund, should fail to equal at least the amount of the Debt Service Requirements of the Bonds and other Securities payable from the Net Revenues due in said fiscal year, the Enterprise shall retain a firm of competent management Persons skilled in the operation of Water facilities to assist in the management of the Water Facilities so long as such default or deficiency continues.

D. Performance of Duties. The Town, acting by and through its officers, or otherwise, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Revenues and the Water Facilities required by the Constitution and laws of the State and the ordinances, resolutions and contracts of the Town, including without limitation the proper segregation of the proceeds of the Bonds and the Revenues and their application from time to time to the respective funds provided therefor.

E. Costs of Issuance and of Performance. Except as otherwise specifically provided herein, all costs and expenses incurred in connection with the issuance of the Bonds, payment of the Debt Service Requirements or the performance of or compliance with any covenant or agreement contained in this Ordinance shall be paid exclusively (but only from the appropriate special fund in the manner authorized herein) from the proceeds of the Bonds, the Net Revenues, or other legally available moneys of the Town, and in no event shall any of such costs or expenses be required to be paid out of or charged to the general fund of the Town.

F. Contractual Obligations. The Enterprise shall perform all contractual obligations undertaken by it relating to the Bonds, the Revenues or the Water Facilities.

G. Further Assurances. At any and all times the Enterprise or the Town shall, so far as it may be authorized by law, pass, make, do execute, acknowledge, deliver, and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Net Revenues and other funds hereby pledged or assigned, or intended so to be, or which the Enterprise or the Town may hereafter become bound to pledge or assign, or as may be reasonable and required to carry out the purposes of this Ordinance. The Enterprise, acting by and through its officers, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Net Revenues and other funds and accounts pledged hereunder and all the rights of every Owner of any of the Bonds against all claims and demands of all Persons.

H. Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution or laws of the United States of America, the Constitution or laws of the State, the Enterprise Ordinance and this Ordinance to exist, to have happened, and to have been performed precedent to or in the issuance of the Bonds shall exist, have happened and have been performed, and the Bonds, together with all other obligations of the Enterprise or the Town, shall not contravene any debt or other limitation prescribed by the Constitution or laws of the State, the Enterprise Ordinance or the Ordinance.

I. Efficient Operation and Maintenance; No Free Service. The Town shall at all times operate the Water Facilities properly and in a sound and economical manner. The Town shall maintain, preserve and keep the Water Facilities properly or cause the same so to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof in good repair, working order and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the maintenance of the Water Facilities may be properly and advantageously conducted. All salaries, fees, wages and other compensation paid by the Town in connection with the repair, maintenance and operation of the Water Facilities shall be fair and reasonable.



The Town shall supply no free service to any Person. If the Town shall use the Water Facilities as a customer, it shall pay a fair and reasonable amount for such service. In no event shall the Town pay a greater amount than would be charged to a private Person for the same amount of service. The Town shall include in its annual budgets and appropriation measures amounts sufficient to pay for service so furnished.

J. Records and Accounts. The Town will keep proper books of record and account, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the funds referred to herein.

K. Rules, Regulations and Other Details. The Town, acting by and through its officers, shall establish and enforce reasonable rules and regulations governing the construction, operation, care, repair, maintenance, management, control, and use of the Water Facilities. The Town shall observe and perform all of the terms and conditions contained in this Ordinance and shall comply with all valid acts, rules, regulations, orders and directives of any legislative, executive, administrative or judicial body applicable to the Water Facilities or the Town.

L. Payment of Governmental Charges. The Enterprise shall pay or cause to be paid all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Water Facilities, or upon any part thereof, or upon any portion of the Revenues, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Water Facilities, or any part thereof, except for any period during which the same are being contested in good faith by proper legal proceedings. Neither the Enterprise nor the Town shall create or suffer to be created any lien or charge upon the Water Facilities, or any part thereof, or upon the Revenues, except the pledge and lien created by this Ordinance for the payment of the Debt Service Requirements due in connection with the Bonds, and except as herein otherwise permitted. The Enterprise or the Town shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 90 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Water Facilities, or any part thereof, or the Revenues, but nothing herein requires the Enterprise or the Town to pay or to cause to be discharged or to make provision for any such tax, assessment, lien or charge, so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

M. Protection of Security. The Enterprise and the Town and their officers, agents and employees, shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Debt Service Requirements of the Bonds and any other Securities payable from the Net Revenues according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Owner of any Bonds or other Securities payable from Net Revenues might be prejudicially and materially impaired or diminished without the prior written consent of the Purchaser and any such Owner.

N. Accumulation of Interest Claims. In order to prevent any accumulation of claims for interest after maturity, the Enterprise shall not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on any of the Bonds or any

other Securities payable from the Net Revenues; and the Enterprise shall not directly or indirectly be a party to or approve any arrangements for any such extension or for the purpose of keeping alive any of such claims for interest. If the time for the payment of any such installment of interest is extended in contravention of the foregoing provisions, such installment or installments of interest after such extension or arrangement shall not be entitled in case of default hereunder to the benefit or the security of this Ordinance, except upon the prior payment in full of the principal of all of the Bonds and any such Securities the payment of which has not been extended.

O. Prompt Payment of Bonds. The Enterprise shall promptly pay the Debt Service Requirements of every Bond at the places, on the dates and in the manner specified herein and in the Bonds according to the true intent and meaning hereof.

P. Use of Funds and Accounts. The fund and accounts described herein shall be used solely and only, and the moneys credited to such funds are hereby pledged, for the purposes described herein.

Q. Additional Securities. Neither the Enterprise nor the Town shall hereafter issue any Securities relating to the Water Facilities and payable from the Net Revenues, other than the Bonds, without compliance with the requirements with respect to the issuance of Additional Parity Bonds or other Securities set forth herein to the extent applicable.

R. Other Liens. There are no liens or encumbrances of any nature whatsoever on or against the Water Facilities or any part thereof or on or against the Net Revenues.

S. Disposal of Water Facilities Prohibited. Subject to Section 8V hereof, except for the use of the Water Facilities and services pertaining thereto in the normal course of business, neither all nor a substantial part of the Water Facilities shall be sold, mortgaged, pledged, encumbered, alienated or otherwise disposed of, until all of the Bonds have been paid in full, as to all Debt Service Requirements, or until the Bonds have otherwise been redeemed, including, without limitation, the termination of the pledge as herein authorized. Subject to Section 8V hereof, the Town shall not dispose of its title to the Water Facilities or to any useful part thereof, including any property necessary to the operation and use of the Water Facilities and the lands and interests in lands comprising the Water Facilities.

T. Surety Bonds. Each official or other person having custody of the Revenues or responsible for its handling, shall be fully bonded at all times with such bonds conditioned upon the proper application of said moneys. The cost of such bonds shall be considered an Operating Expense, unless otherwise provided by law.

U. Tax Matters. Neither the Enterprise nor the Town shall make any investment or other use of the proceeds of the Bonds, which, if such investment or other use had been reasonably expected on the date the Bonds are issued, would have caused the Bonds to be arbitrage bonds within the meaning of the Code and the regulations thereunder.

Neither the Enterprise nor the Town shall make any use of the proceeds of the Bonds which would cause the Bonds to be private activity bonds within the meaning of the Code and the regulations thereunder.

The Governing Body hereby designates the Bonds as “qualified tax-exempt obligations” under Section 265(b) of the Code.

V. Disposal of Property. No part of the Water Facilities shall be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of or otherwise alienated, until all of the Bonds have been paid in full, or unless provision has been made therefor, or until the Bonds have otherwise been redeemed; provided, however, that the Town may sell, exchange or lease at any time and from time to time any property or facilities constituting part of the Water Facilities and not needed in the construction, reconstruction or operation thereof; but any proceeds of any such sale or exchange received and not used to replace such property so sold or exchanged shall be deposited in the Water Fund, and any proceeds of any such lease received shall be deposited by the Town as revenues of the Water Facilities.

W. Loss from Condemnation. If any part of the Water Facilities is taken by the exercise of a power of eminent domain, the amount of any award received by the Town as a result of such taking shall be expended upon the improvement of the Water Facilities or shall be applied to the redemption of the Outstanding Bonds and any Outstanding Additional Parity Bonds in accordance with the provisions hereof and of any other instrument pertaining to the issuance of any such Additional Parity Bonds at maturity or prior thereto if the authorizing ordinances authorize the prior redemption of such Securities, or shall be deposited in the Water Fund and held as a reserve for expenditure subsequently upon such capital improvements, or any combination thereof, as the Governing Body or the Board may determine.

X. Inspection of Records. Any Owner of any of the Bonds or any other Securities payable from the Net Revenues or any duly authorized agent or agents of such Owner shall have the right at all reasonable times to inspect all records, accounts and data relating thereto, concerning the Water Facilities, or the Revenues to make copies of such records, accounts and data at the Owner’s expense, and to inspect the Water Facilities and properties comprising the Water Facilities.

Y. Audits Required. The Town, annually following the close of each fiscal year, shall order an audit for the fiscal year of the books and accounts pertaining to the Enterprise to be made forthwith by an Independent Accountant, and order an audit report showing the receipts and disbursements for each fund or account pertaining to the Water Facilities or the Revenues. All expenses incurred in the making of the audits and reports required by this subsection may be regarded and paid as an Operation and Maintenance Expense.

Z. Insurance and Reconstruction. Except to the extent that the Town elects to insure itself, the Town shall at all times maintain with responsible insurers all such insurance reasonably required and obtainable within limits and at costs deemed reasonable by the Town as is customarily maintained with respect to Water facilities of like character against loss of or damage to the Water Facilities of the Town and against public and other liability to the extent at least reasonably necessary to protect the interest of the Town and of each Owner of Bonds or any

other Security payable from the Net Revenues, except as herein otherwise provided. If any useful part of the Water Facilities shall be damaged or destroyed, the Town shall, as expeditiously as possible, commence and diligently proceed with the repair or replacement of the damaged or destroyed property so as to restore the same to use. The proceeds of any insurance appertaining to the Water Facilities shall be payable to the Town and (except for proceeds of use and occupancy insurance) shall be applied to the necessary costs involved in such repair and replacement, and to the extent not so applied shall (together with the proceeds of any such use and occupancy insurance) be deposited in the Water Fund as Revenues. If the costs of such repair and replacement of the damaged or destroyed property exceed the proceeds of such property insurance available for payment of the same, moneys in the Water Fund shall be used to the extent necessary for such purpose, as permitted by Section 5G hereof.

Section 9. Defeasance.

The Enterprise and the Town are prohibited from defeasing the Bonds other than by payment in full of the Debt Service Requirements without the prior written consent of the Purchaser and then only in the amount prescribed by the Purchaser.

Section 10. Default Provisions and Remedies of Bond Owners.

A. Events of Default. Each of the following events is hereby declared to be and to constitute an Event of Default:

(1) Nonpayment of Principal. Payment of the principal of any of the Bonds is not made when the same becomes due and payable, either at maturity or by proceedings for prior redemption, or otherwise;

(2) Nonpayment of Interest. Payment of the interest on any of the Bonds is not made when the same becomes due and payable;

(3) Incapacity to Perform. The Enterprise or the Town for any reason becomes incapable of fulfilling their obligations hereunder;

(4) Nonperformance of Duties. The Enterprise or the Town shall have failed to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to the Revenues or to the Water Facilities or otherwise, including, without limitation, this Ordinance, and such failure shall continue for 60 days after receipt of notice from the Owners of 25% in aggregate principal amount of the Bonds then Outstanding; provided that if such failure cannot be cured within such 60 days and if during that period corrective action has commenced to remedy such failure and subsequently is diligently pursued by the Enterprise or the Town to the completion of such performance, an Event of Default shall not be deemed to have occurred;

(5) Failure to Reconstruct. The Enterprise or the Town discontinues or unreasonably delays or fails to carry out with reasonable dispatch the reconstruction of any essential part of the Water Facilities which is condemned, destroyed or damaged and is not promptly repaired or replaced (whether such failure to repair the same is due to

impracticality of such repair or replacement, or is due to a lack of moneys therefor, or for other reason);

(6) Appointment of Receiver. An order or decree is entered by a court of competent jurisdiction, with the consent or acquiescence of the Enterprise or the Town, appointing a receiver or receivers for the Water Facilities or for the Revenues and any other moneys subject to the lien to secure the payment of the Bonds, or both the Water Facilities and such moneys, or if any order or decree, having been entered without the consent or acquiescence of the Enterprise or the Town, is not vacated or discharged or stayed on appeal within 60 days after entry;

(7) Default of Any Provision. The Enterprise or the Town makes any default in the due and punctual performance of any other of the representations, covenants, conditions, agreements and other provisions contained in the Bonds or in this Ordinance on its part to be performed, and if such default continues for 60 days after written notice, specifying such default and requiring the same to be remedied, is given to the Enterprise and the Town by the Owners of 25% in aggregate principal amount of the Bonds then Outstanding; provided that if such default cannot be cured within such 60 days and if during that period corrective action has commenced to remedy such default and subsequently is diligently pursued to the completion of such performance, an Event of Default shall not be deemed to have occurred;

(8) Default on Parity Bonds. Any event of default occurs under any ordinance authorizing the issuance of any Additional Parity Bonds.

B. Remedies for Defaults. Upon the happening and continuance of any of the Events of Default, as provided in Section 10A hereof, then and in every case the Owner or Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the Enterprise or the Town and their agents, officers and employees to protect and to enforce the rights of any Owner of Bonds under this Ordinance by mandatory injunction or by other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or an operating trustee or for the specific performance of any covenant or agreement contained herein or for any proper legal or equitable remedy as such Owner or Owners may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any Owner of any Bond, or to require the Enterprise to act as if it were the trustee of an expressed trust, or any combination of such remedies, or as otherwise may be authorized by any statute or other provision of law. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the Bonds, and any Additional Parity Bonds then Outstanding. Any receiver or operating trustee appointed in any proceedings to protect the rights of such Owners hereunder may collect, receive and apply all Revenues arising after the appointment of such receiver or operating trustee in the same manner as the Enterprise itself might do. The consent to any such appointment is hereby expressly granted by the Enterprise. In addition, the Purchaser shall have the remedies specified in the Loan Resolution.

C. Rights and Privileges Cumulative. The failure of any Owner of any Outstanding Bond to proceed in any manner herein provided shall not relieve the Enterprise, the Town or any of their officers, agents or employees of any liability for failure to perform to carry out any duty, obligation or other commitment. Each right or privilege of any such Owner or trustee therefor is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof. Each Owner of any Bond shall be entitled to all of the privileges, rights and remedies provided or permitted in this Ordinance and as otherwise provided or permitted by law or in equity or by statute, except as provided in Sections 11A and 11B hereof, and subject to the applicable provisions concerning the Revenues and the proceeds of the Bonds. Nothing herein affects or impairs the right of any Owner of any Bond to enforce the payment of the Debt Service Requirements due in connection with such Bond or the obligation of the Enterprise to pay the Debt Service Requirements of each Bond to the Owner thereof at the time and the place expressed in such Bond.

D. Duties Upon Default. Upon the happening of any of the Events of Default as provided in Section 10A hereof, the Enterprise, in addition, will do and perform all proper acts on behalf of and for the Owners of the Outstanding Bonds to protect and to preserve the security created for the payment of their Bonds and to insure the payment of the Debt Service Requirements promptly as the same become due. During any period of default, so long as any of the Bonds, as to any Debt Service Requirements, are Outstanding, except to the extent it may be unlawful to do so, all Net Revenues shall be paid into the Bond Fund on an equitable and prorated basis, and used for the purposes therein provided. If the Enterprise fails or refuses to proceed as in this Section 10D provided, the Owner or Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the Owners of the Bonds as hereinabove provided; and to that end any such Owners of Outstanding Bonds shall be subrogated to all rights of the Enterprise under any agreement or contract involving the Net Revenues entered into prior to the effective date of this Ordinance or thereafter while any of the Bonds are Outstanding. Nothing herein requires the Enterprise to proceed as provided herein if it determines in good faith and without any abuse of its discretion that if it so proceeds it is more likely than not to incur a net loss rather than a net gain or such action is likely to affect materially and prejudicially the Owners of the Outstanding Bonds.

E. Evidence of Security Owners. Any request, consent or other instrument which this Ordinance may require or may permit to be signed and to be executed by the Owner of any Bonds or other Securities may be in one (1) instrument or more than one (1) instrument of similar tenor and shall be signed or may be executed by each Owner in person or by his attorney appointed in writing. Proof of the execution of any such instrument or of any instrument appointing any such attorney, or the ownership by any Person of the Securities, shall be sufficient for any purpose of this Ordinance (except as otherwise herein expressly provided) if made in the following manner:

(1) Proof of Execution. The fact and the date of the execution by any Owner of any Bonds or other Securities or his, her or its attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of any officer of a bank or trust company satisfactory to the Registrar or of any notary public or other

officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, that the individual signing such request or other instrument acknowledged to him the execution, duly sworn to before such notary public or other officer; the authority of the individual or individuals executing any such instrument on behalf of a corporate Owner of any Securities may be established without further proof if such instrument is signed by an individual purporting to be the president or vice-president of such corporation with the corporate seal affixed and attested by an individual purporting to be its secretary or an assistant secretary; and the authority of any Person or Persons executing any such instrument in any fiduciary or representative capacity may be established without further proof if such instrument is signed by a Person or Persons purporting to act in such fiduciary or representative capacity; and

(2) Proof of Ownership. The amount of Bonds owned by any Person executing any instrument as an Owner of Bonds, and the numbers, date and other identification thereof, together with the date of his, her or its ownership of the Bonds, shall be determined from the registration books of the Enterprise. The amount of other Securities, if applicable, owned by any Person executing any instrument as an owner of such Securities, and the numbers, date and other identification thereof, together with the date of his, her or its ownership, if in bearer form, may be proved by a certificate which need not be acknowledged or verified, in form satisfactory to the Registrar, executed by a member of a financial firm or by an officer of a bank or trust company, insurance company or financial corporation or other depository satisfactory to the Registrar, or by any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, showing at the date therein mentioned that such Person exhibited to such member, officer, notary public or other officer so authorized to take acknowledgments of deeds or had on deposit with such depository the Securities described in such certificate or, if in registered form shall be determined from the related registration books; but the Registrar may nevertheless in her discretion require further or other proof in cases where she deems the same advisable.

F. Warranty Upon Issuance of Bonds. Any of the Bonds as herein provided, when duly executed, authenticated and registered for the purposes provided for in this Ordinance, shall constitute a warranty by and on behalf of the Enterprise for the benefit of each and every future Owner of any of the Bonds that the Bonds have been issued for a valuable consideration in full conformity with law.

#### Section 11. Amendment of Ordinance.

A. Amendment of Ordinance Not Requiring Consent of Bond Owners. The Enterprise may, without the consent of the Owners of the Bonds, adopt such ordinance supplemental hereto (which amendments shall thereafter form a part hereof) for any one or more or all of the following purposes:

(1) To cure or correct any formal defect, ambiguity or inconsistent provision contained in this Ordinance;

(2) To appoint successors to the Paying Agent, Registrar or Transfer Agent;

(3) To designate a trustee for the Owners of the Bonds, to transfer custody and control of the Revenues to such trustee, and to provide for the rights and obligations of such trustee;

(4) To add to the covenants and agreements of the Enterprise or the Town or the limitations and restrictions on the Enterprise or the Town set forth herein;

(5) To pledge additional revenues, properties or collateral to the payment of the Bonds;

(6) To cause this Ordinance to comply with the Trust Indenture Act of 1939, as amended from time to time; or

(7) To effect any such other changes hereto which do not in the opinion of nationally recognized bond counsel materially adversely affect the interests of the Owners of the Bonds.

Whenever the Governing Body has authorized the amendment or modification of this Ordinance under the provisions of this Section 11A it shall give notice of the amendment by mailing such notice to the Purchaser, or to any successor thereof known to the Paying Agent, and to all Owners of Bonds at the addresses appearing on the registration books of the Enterprise. Such notice shall briefly set forth the nature of the amendment and shall state that a copy of the amendatory ordinance or other instrument is on file in the office of the Secretary for public inspection.

B. Amendment of Ordinance Requiring Consent of Bond Owners. Exclusive of the amendatory ordinances covered by Section 11A hereof and except as hereinafter provided, this Ordinance may be amended or modified by ordinances or other instruments duly adopted by the Governing Body, without receipt by it or any additional consideration, but with the written consent of the Owners of 66% in aggregate principal amount of the Bonds then Outstanding at the time of the adoption of such amendatory ordinance, provided that no such amendatory ordinance shall permit:

(1) Changing Payment. A change in the Maturity Date or in the terms of redemption of the principal of any Outstanding Bond or any installment of interest thereon; or

(2) Reducing Return. A reduction in the principal amount of any Bond or the rate of interest thereon without the consent of the Owner of the Bond; or

(3) Prior Lien. The creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by this Ordinance; or

(4) Modifying Amendment Terms. A reduction of the principal amount or percentages of Bonds, or any modification otherwise affecting the description



of Bonds, otherwise changing the consent of the Owners of Bonds, which may be required herein for any amendment hereto; or

(5) Priorities Between Bonds. The establishment of priorities as between Bonds issued and Outstanding under the provisions of this Ordinance; or

(6) Partial Modification. Any modifications otherwise materially and prejudicially affecting the rights or privileges of the Owners of less than all of the Bonds then Outstanding.

Whenever the Governing Body proposes to amend or modify this Ordinance under the provisions of this Section 11B it shall give notice of the proposed amendment by mailing such notice to the Purchaser, or to any successor thereof known to the Paying Agent, and to all Owners of Bonds at the addresses appearing on the registration books of the Enterprise. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory ordinance or other instrument is on file in the office of the Secretary for public inspection.

C. Time for and Consent to Amendment. Whenever at any time within one year from the date of the completion of the notice required to be given by Section 11B hereof there shall be filed in the office of the Secretary an instrument or instruments executed by the Owners of at least the required aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory ordinance or other instrument described in such notice and shall specifically consent to and approve the adoption of such ordinance or other instrument, thereupon, but not otherwise, the Governing Body may adopt such amendatory ordinance or instrument and such ordinance or instrument shall become effective. If the Owners of at least the required aggregate principal amount of the Bonds then Outstanding, at the time of the adoption of such amendatory ordinance or instrument, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no Owner of any Bond whether or not such Owner shall have consented to or shall have revoked any consent as herein provided shall have any right or interest to object to the adoption of such amendatory ordinance or other instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Enterprise from taking any action pursuant to the provisions thereof. Any consent given by the Owner of a Bond pursuant to the provisions thereof shall be irrevocable for a period of six months from the date of the completion of the notice above provided for and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after 6 months from the completion of such notice, by the Owner who gave such consent or by a successor in title, by filing notice of such revocation with the Secretary, but such revocation shall not be effective if the Owners of at least the required aggregate principal amount of the Bonds Outstanding as herein provided, prior to the attempted revocation, shall have consented to and approved the amendatory instrument referred to in such revocation.

D. Unanimous Consent. Notwithstanding anything in the foregoing provisions contained, the terms and the provisions of this Ordinance, or of any ordinance or instrument amendatory thereof, and the rights and the obligations of the Enterprise and of the Owners of the Bonds may be modified or amended in any respect upon the adoption by the

Enterprise and upon the filing with the Paying Agent of an instrument to that effect and with the consent of the Owners of all the then Outstanding Bonds, such consent to be given in the manner provided in Section 11C hereof; and no notice to Owners of Bonds shall be required as provided in Section 11B hereof, nor shall the time of consent be limited except as may be provided in such consent.

E. Exclusion of Bonds. At the time of any consent or of other action taken hereunder the Enterprise shall furnish to the Paying Agent a certificate, upon which the Paying Agent may rely, describing all Bonds owned by the Enterprise or the Town and to be excluded for the purpose of consent or of other action or any calculation of Outstanding Bonds provided for hereunder, and, with respect to such excluded Bonds, the Enterprise or the Town shall not be entitled or required with respect to such Bonds to give or obtain any consent or to take any other action provided for hereunder.

F. Notation on Bonds. Any of the Bonds delivered after the effective date of any action taken as provided in Section 11B, or Bonds Outstanding at the effective date of such action, may bear a notation thereon by endorsement or otherwise in form approved by the Governing Body as to such action; and if any such Bonds so executed and delivered after such date does not bear such notation, then upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his, her or its Bond for such purpose at the principal office of the Enterprise, suitable notation shall be made on such Bond by the Paying Agent as to any such action. If the Governing Body so determines, new Bonds so modified as in the opinion of the Governing Body to conform to such action shall be prepared, executed and delivered; and upon demand of the Owner of any Bond then Outstanding, shall be exchanged without cost to such Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

G. Proof of Instruments and Bonds. The fact and date of execution of any instrument under the provisions of this Section 11, the amount and number of the Bonds owned by any Person executing such instrument, and the date of his, her or its registering the same may be proved as provided by Section 10E hereof.

## Section 12. Miscellaneous.

A. Character of Agreement. None of the covenants, agreements, representations or warranties contained herein or in the Bonds shall ever impose or shall be construed as imposing any pecuniary liability, obligation or charge against the Enterprise or the Town (except for the special funds pledged therefor) or against the general credit of the Enterprise or the Town payable out of general funds or out of any funds derived from general property taxes.

B. No Pledge of Property. The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the Enterprise except for the Net Revenues. No property of the Enterprise or the Town, subject to such exception with respect to the Net Revenues, is pledged for the payment of the Bonds or shall be liable to be forfeited or taken in payment of the Bonds.

C. Statute of Limitations. No action or suit based upon any Bond or other obligation of the Enterprise or the Town shall be commenced after it is barred by any statute of limitations pertaining thereto. Any moneys from whatever source derived remaining in any fund or account reserved, pledged or otherwise held for the payment of any such obligation, action or suit, the collection of which has been barred, shall revert to the Water Fund, unless the Governing Body shall otherwise provide by resolution. Nothing herein prevents the payment of any such Bond or other obligation after an action or suit for its collection has been barred if the Governing Body deems it in the best interests of the Enterprise, the Town or the public so to do and orders such payment to be made.

D. Delegated Duties. The officers of the Enterprise are hereby authorized and directed to enter into such agreements and take all action necessary or appropriate to effectuate the provisions of this Ordinance and to comply with the requirements of law, including, without limitation:

(1) Printing of Bonds. The printing of the Bonds, including the printing upon each such Bond of a copy of the approving legal opinion of Ballard Spahr Andrews & Ingersoll, LLP, bond counsel, duly certified by the Registrar, and, if necessary or desirable pending delivery of printed Bonds, the preparation of one or more temporary typewritten Bonds in an aggregate principal amount equal to that of the Bonds, otherwise in substantially the same form and bearing the same terms, to be delivered to the Purchaser and thereafter to be exchanged by the Purchaser for printed Bonds when the same are received by the Enterprise;

(2) Execution, Authentication, Registration and Delivery of Bonds. The execution, authentication and registration of the Bonds and the delivery of the Bonds to the Purchaser pursuant to the provisions of this Ordinance;

(3) Information. The assembly and dissemination of financial and other information concerning the Enterprise, the Town, the Project and the Bonds;

(4) Closing Certificates. The execution of such certificates as may be reasonably required by the Purchaser, relating, inter alia, to:

- (a) The signing of the Bonds;
- (b) The tenure and identity of the officials of the Enterprise and the Town;
- (c) If in accordance with fact, the absence of litigation, pending or threatened, affecting the validity of the Bonds;
- (d) The tax treatment of interest on the Bonds under federal and State income tax laws; and
- (e) The delivery of the Bonds and the receipt of the Bond purchase price.

E. Successors. Whenever herein the Enterprise or the Town is named or is referred to, such provision shall be deemed to include any successors of the Enterprise or the Town, whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of and other provisions for the benefit of the Enterprise or the Town contained herein shall bind and inure to the benefit of any officer, board, district, commission, authority, agency, instrumentality or other Person or Persons to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Enterprise or the Town or of its respective successors, if any, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

F. Rights and Immunities. Except as herein otherwise expressly provided, nothing herein expressed or implied is intended or shall be construed to confer upon or to give to any Person, other than the Enterprise, the Town and the Owners from time to time of the Bonds, any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation hereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Enterprise or the Town shall be for the sole and exclusive benefit of the Enterprise, the Town and any Owner of any of the Bonds.

No recourse shall be had for the payment of the Debt Service Requirements of the Bonds or for any claim based thereon or otherwise upon this Ordinance authorizing their issuance or any other ordinance or instrument pertaining thereto, against any individual member of the Governing Body or the Board, or any officer or other agent of the Enterprise or the Town, past, present or future, either directly or indirectly through the Enterprise, the Town or otherwise, whether by virtue of any constitution, statute or rule of law or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Bonds and as a part of the consideration of their issuance specially waived and released.

G. Statutory Limitations Met. The Governing Body hereby determines that the provisions and limitations of the Act and any other applicable law imposed on the issuance of the Bonds have been met.

H. Facsimile Signatures. Pursuant to the Uniform Facsimile Signature of Public Officials Act, part 1 of article 55 of title 11, Colorado Revised Statutes, as amended, the Chairman, the Secretary and the Treasurer shall forthwith, and in any event prior to the time the Bonds are delivered to the Purchaser, file with the Colorado Secretary of State their manual signatures and the seal of the Enterprise certified by them under oath.

I. Ordinance Irrepealable. This Ordinance is, and shall constitute, a legislative measure of the Enterprise and after any of the Bonds are issued, this Ordinance shall constitute an irrevocable contract between the Enterprise and the Owner or Owners of the Bonds; and this Ordinance, subject to the provisions of Section 11 hereof, if any Bonds are in fact issued, shall be and shall remain irrepealable until the Bonds, as to all Debt Service Requirements, shall be fully paid, satisfied or discharged.

J. Ratification. All action not inconsistent with the provisions of this Ordinance heretofore taken by the Enterprise or its officers and otherwise by the Enterprise directed toward the issuance of the Bonds is hereby ratified, approved and confirmed.

K. Repealer. All ordinances, resolutions, bylaws, orders, and other instruments, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any ordinance, resolution, bylaw, order, or other instrument, or part thereof, heretofore repealed.

L. Severability. If any section, subsection, paragraph, clause or other provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any of the remaining sections, subsections, paragraphs, clauses or provisions of this Ordinance.

M. Emergency. In an effort to meet the requirements of the Purchaser of the Bonds, a special emergency exists which requires the immediate passage of this Ordinance as an emergency measure, and this Ordinance is necessary for the immediate preservation of the public peace, health or safety.

N. Effective Date. Notwithstanding any provision of the Municipal Code of the Town to the contrary, this Ordinance shall become effective immediately upon adoption.

INTRODUCED, READ, APPROVED AND PASSED this 15th day of September, 2008, for publication once in a newspaper of the Town of Hillrose, Colorado.



TOWN OF HILLROSE, COLORADO  
WATER ENTERPRISE

By: Jamie S. Riedl  
Chairman of the Governing Body

ATTEST:

Lynn Ann Solemboski  
Secretary

Members of the Governing Body of the Town of Hillrose, Colorado Water Enterprise:

<u>Name</u>	<u>Title</u>	<u>Attendance</u>	<u>Vote</u>
Jamie Riedl	Chairman	Present	Yes
Carrie Colerick	Member	Present	Yes
Tammy Schmer	Member	Present	Yes
Don Smith	Member	Present	Yes
Ed Wahlert	Member	Present	Yes

STATE OF COLORADO )  
 )  
COUNTY OF MORGAN ) ss.

I, Lynn Golemboski, the duly appointed, qualified and acting Secretary of the Town of Hillrose, Colorado, Water Enterprise do hereby certify that the foregoing Ordinance No. 105 was, as a proposed ordinance duly and legally presented to the Governing Body of the Town of Hillrose, Colorado, Water Enterprise on the 15th day of September, 2008. Said ordinance, as proposed, was duly and legally approved on first reading and thereafter the same was, on the 17th day of September, 2008, published in the Brush News Tribune a weekly newspaper of general circulation published and printed in the Town of Hillrose, Morgan County, Colorado.



*Lynn Ann Golemboski*  
Secretary

EXHIBIT A  
PAYMENT SCHEDULE





**BOND SCHEDULE, 5/6/2008**

Name of Borrower: Hillrose			
Amount of Loan	44000	Annual Interest Rate	0.04375
Number of Initial Interest Only Payments	0	Number of principal and/or Interest Payments	80
Payment Frequency	Semi-Annual	This is a split payment bond.	false
Principal Payment Units	1	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2009	1	1	1170	963	207	43793
2009	2	2	1170	958	212	43581
2010	1	3	1170	954	216	43365
2010	2	4	1170	949	221	43144
2011	1	5	1170	944	226	42918
2011	2	6	1170	939	231	42687
2012	1	7	1170	934	236	42451
2012	2	8	1170	929	241	42210
2013	1	9	1170	924	246	41964
2013	2	10	1170	918	252	41712
2014	1	11	1170	913	257	41455
2014	2	12	1170	907	263	41192
2015	1	13	1170	902	268	40924
2015	2	14	1170	896	274	40650
2016	1	15	1170	890	280	40370
2016	2	16	1170	884	286	40084
2017	1	17	1170	877	293	39791
2017	2	18	1170	871	299	39492
2018	1	19	1170	864	306	39186
2018	2	20	1170	858	312	38874
2019	1	21	1170	851	319	38555
2019	2	22	1170	844	326	38229
2020	1	23	1170	837	333	37896
2020	2	24	1170	829	341	37555
2021	1	25	1170	822	348	37207
2021	2	26	1170	814	356	36851
2022	1	27	1170	807	363	36488
2022	2	28	1170	799	371	36117
2023	1	29	1170	791	379	35738
2023	2	30	1170	782	388	35350
2024	1	31	1170	774	396	34954
2024	2	32	1170	765	405	34549
2025	1	33	1170	756	414	34135
2025	2	34	1170	747	423	33712
2026	1	35	1170	738	432	33280
2026	2	36	1170	728	442	32838
2027	1	37	1170	719	451	32387
2027	2	38	1170	709	461	31926
2028	1	39	1170	699	471	31455
2028	2	40	1170	689	481	30974
2029	1	41	1170	678	492	30482
2029	2	42	1170	667	503	29979

2030	1	43	1170	656	514	29465
2030	2	44	1170	645	525	28940
2031	1	45	1170	634	536	28404
2031	2	46	1170	622	548	27856
2032	1	47	1170	610	560	27296
2032	2	48	1170	598	572	26724
2033	1	49	1170	585	585	26139
2033	2	50	1170	572	598	25541
2034	1	51	1170	559	611	24930
2034	2	52	1170	546	624	24306
2035	1	53	1170	532	638	23668
2035	2	54	1170	518	652	23016
2036	1	55	1170	504	666	22350
2036	2	56	1170	489	681	21669
2037	1	57	1170	475	695	20974
2037	2	58	1170	459	711	20263
2038	1	59	1170	444	726	19537
2038	2	60	1170	428	742	18795
2039	1	61	1170	412	758	18037
2039	2	62	1170	395	775	17262
2040	1	63	1170	378	792	16470
2040	2	64	1170	361	809	15661
2041	1	65	1170	343	827	14834
2041	2	66	1170	325	845	13989
2042	1	67	1170	307	863	13126
2042	2	68	1170	288	882	12244
2043	1	69	1170	268	902	11342
2043	2	70	1170	249	921	10421
2044	1	71	1170	228	942	9479
2044	2	72	1170	208	962	8517
2045	1	73	1170	187	983	7534
2045	2	74	1170	165	1005	6529
2046	1	75	1170	143	1027	5502
2046	2	76	1170	121	1049	4453
2047	1	77	1170	98	1072	3381
2047	2	78	1170	74	1096	2285
2048	1	79	1170	50	1120	1165
2048	2	80	1191	26	1165	0
<b>TOTALS</b>			<b>93621</b>	<b>49621</b>	<b>44000</b>	

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

**LOAN RESOLUTION 3-2007**  
(Public Bodies)

A RESOLUTION OF THE Governing Body

OF THE Town of Hillrose, Colorado, Water Enterprise

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS Hillrose Water Project

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

WHEREAS, it is necessary for the Town of Hillrose, Colorado, Water Enterprise  
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

**FORTY-FOUR THOUSAND AND XX / 100 DOLLARS (\$44,000.00)**

pursuant to the provisions of \_\_\_\_\_ ; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ 466,000.00

under the terms offered by the Government; that \_\_\_\_\_

and \_\_\_\_\_ of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

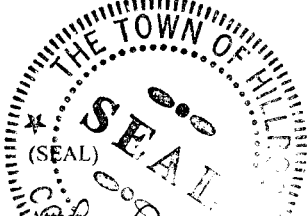
The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

Yeas 5 Nays 0 Absent 0

IN WITNESS WHEREOF, the Governing Body of the

Town of Hillrose, Colorado, Water Enterprise has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 2 day of April, 2007



Lynn G. Lemboski  
Lynn G. Lemboski

Title Secretary

Town of Hillrose, Colorado, Water Enterprise

By Jamie S. Miles  
Jamie Miles

Title Chairman

**CERTIFICATION TO BE EXECUTED AT LOAN CLOSING**

I, the undersigned, as Secretary of the Town of Hillrose, Colorado, Water Enterprise

hereby certify that the Governing Body of such Association is composed of

5 members, of whom 5 constituting a quorum, were present at a meeting thereof duly called and

held on the 2<sup>ND</sup> day of APRIL, 2007 ; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of 9/17/08,  
the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been  
rescinded or amended in any way.

Dated, this 17 day of Sept, 2008

Tom Am Shembashi  
Title Secretary

