

RESOLUTION NO. RS2015-1417

The Metropolitan Government of
Nashville and Davidson County
(Tennessee)

Resolution authorizing the issuance, sale and payment of bond anticipation notes in an amount not to exceed \$100 million in the form of water and sewer revenue extendable commercial paper of The Metropolitan Government of Nashville and Davidson County; authorizing a dealer agreement and issuing and paying agency agreement; and providing for certain other related matters

Adopted April 7, 2015

Resolution authorizing the issuance, sale and payment of bond anticipation notes in an amount not to exceed \$100 million in the form of water and sewer revenue extendable commercial paper of The Metropolitan Government of Nashville and Davidson County; authorizing a dealer agreement and issuing and paying agency agreement; and providing for certain other related matters

WHEREAS, under the provisions of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") is authorized to issue and sell from time to time its water and sewer revenue bonds, and in anticipation thereof to issue and sell from time to time water and sewer revenue bond anticipation notes, to finance capital improvements to the Metropolitan Government's water and sewer system (the "System", as more fully defined herein) and related costs; and

WHEREAS, in order to provide financing for the cost of capital improvements to the System and related costs for which water and sewer revenue bonds and bond anticipation notes have been authorized to be issued and sold, the Metropolitan County Council deems it advisable and in the best interests of the Metropolitan Government to provide at this time for the issuance and sale from time to time of water and sewer revenue bond anticipation notes of the Metropolitan Government, in the form of extendable commercial paper; and

WHEREAS, the Metropolitan County Council (the "Metropolitan Council") adopted Resolution R85-762 on November 5, 1985, as supplemented and amended, including without limitation as supplemented and amended by Substitute Resolution No. R93-770 of the Metropolitan Council (collectively, the "Senior Lien Bond Resolution"), authorizing the Metropolitan Government's outstanding, to the extent outstanding, Water and Sewer Revenue Refunding Bonds, Series 1986; Water and Sewer Revenue Bonds, Series 1993; Water and Sewer Revenue Refunding Bonds, Series 1998A; Water and Sewer Revenue Bonds, Series 1998B; Water and Sewer Revenue Refunding Bonds, Series 2002; Water and Sewer Revenue Refunding Bonds, Series 2007; Water and Sewer Revenue Refunding Bonds, Series 2008A; and Water and Sewer Revenue Refunding Bonds, Series 2008B (collectively, the "Senior Lien Bonds"); and

WHEREAS, pursuant to the Second Senior Lien Bond Resolution (as hereinafter defined), there shall be no other bonds issued pursuant to the Senior Lien Bond Resolution; and

WHEREAS, the Metropolitan County Council on November 16, 2010 adopted Substitute Resolution No. RS2010-1442 (the "Second Senior Lien Bond Resolution"), authorizing the issuance from time to time of water and sewer revenue bonds upon the adoption by the Metropolitan Council of a supplemental resolution, payment of which bonds shall be subordinate to the lien of the Senior Lien Bonds; and

WHEREAS, the Second Senior Lien Bond Resolution was supplemented and amended by the Metropolitan Council on November 16, 2010 by Substitute Resolution No. RS2010-1443, for the purpose of authorizing the issuance of the Metropolitan Government's Water and Sewer Revenue Refunding Bonds, Series 2010A, Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds – Direct Payment), Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds) and Water and Sewer Revenue Refunding Bonds Federally Taxable, Series 2010D (collectively, the "Series 2010 Bonds") under the authority of the Second Senior Lien Bond Resolution; and

WHEREAS, the Second Senior Lien Bond Resolution was further supplemented and amended by the Metropolitan Council on March 19, 2013 by Resolution No. RS2013-621, for the purpose of

authorizing the issuance of the Metropolitan Government's Water and Sewer Revenue Bonds, Series 2013 (the "Series 2013 Bonds" and, together with the Series 2010 Bonds and any bonds, notes or other debt obligation hereafter issued on parity therewith, the "Second Senior Lien Bonds") under the authority of the Second Senior Lien Bond Resolution; and

WHEREAS, the Metropolitan County Council on December 20, 2011 adopted Resolution No. RS2011-114 (the "Subordinate Lien Bond Resolution"), authorizing the issuance from time to time of water and sewer revenue bonds upon the adoption by the Metropolitan Council of a supplemental resolution, payment of which bonds shall be subordinate to the lien of the Senior Lien Bonds and the Second Senior Lien Bonds; and

WHEREAS, the Subordinate Lien Bond Resolution was supplemented and amended by the Metropolitan Council on December 20, 2011 by Resolution No. RS2011-115, for the purpose of authorizing the Metropolitan Government's Subordinate Lien Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds" and, together with any bonds, notes or other debt obligation hereafter issued on parity therewith, the "Subordinate Lien Bonds"); and

WHEREAS, as required by Tennessee Code Annotated Sections 9-21-301 et seq., the Metropolitan Council adopted (i) Resolution No. RS2009-994 on October 20, 2009, preliminarily authorizing the issuance of up to \$500,000,000 of water and sewer revenue bonds; and (ii) Resolution No. RS2013-620 on March 19, 2013, preliminarily authorizing the issuance of up to \$500,000,000 of additional water and sewer revenue bonds (collectively, the "Current Initial Resolutions"); and

WHEREAS, the Metropolitan Government intends to authorize on the date hereof the issuance of up to \$200,000,000 outstanding at any time of its Water and Sewer Revenue Commercial Paper Notes (the "Traditional Notes"), for the purpose of financing Projects; and

WHEREAS, the Metropolitan Government hereby desires to authorize its Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program (the "ECP Notes") for the purpose of financing Projects; and

WHEREAS, the Metropolitan Government further hereby desires to authorize the execution and delivery of agreements in connection with the notes authorized hereunder;

NOW, THEREFORE, BE IT RESOLVED by the Metropolitan County Council of The Metropolitan Government of Nashville and Davidson County, as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Resolution, including the preambles hereto, have the following respective meanings:

"Act" means Title 9, Chapter 21, Tennessee Code Annotated, as amended from time to time.

"Authorized Officer" means the Director of Finance of the Metropolitan Government and any other persons authorized in writing by the Director of Finance of the Metropolitan Government to act as an Authorized Officer hereunder.

"Bond Counsel" means Bass, Berry & Sims PLC or any other firm of attorneys specializing in the field of municipal finance law, selected by the Metropolitan Government.

"Bonds" means water and sewer revenue bonds of the Metropolitan Government authorized by the Initial Resolutions.

"Book-Entry ECP" means ECP issued in book-entry only form through the Depository pursuant to Section 2.03.

"Business Day" means any day other than (i) a Saturday, (ii) a Sunday, (iii) a State legal holiday, (iv) a day on which banking institutions in Nashville, Tennessee, New York, New York, or the city in which the Office of the Issuing and Paying Agent is located, or the city in which the principal office of the Dealer is located, are authorized or obligated by law or executive order to be closed, (v) a day on which the New York Stock Exchange is not open for trading, or (vi) with respect to the Book-Entry ECP, a day on which the Depository is not scheduled to be open for money market instrument settlement services.

"Code" means the Internal Revenue Code of 1986, including regulations, rulings and judicial decisions promulgated thereunder.

"Costs" shall mean any of the costs of Projects permitted to be financed by the Act.

"Current Initial Resolutions" shall have the meaning ascribed in the preamble.

"Dealer" means Morgan Stanley & Co. LLC, appointed by the Metropolitan Government pursuant to this Resolution to serve as dealer for the ECP Program in accordance with the Dealer Agreement, and any other dealer for the ECP Program or any successor to any of them appointed pursuant to this Resolution.

"Dealer Agreement" means each Dealer Agreement authorized by Section 4.01, as the same may be amended or supplemented, and any other dealer agreement which the Metropolitan Government determines to be in replacement thereof as may be entered into by the Metropolitan Government from time to time with respect to the ECP Program.

"Depository" means (i) DTC, (ii) any other Person appointed by the Metropolitan Government to serve as securities depository for the Master Note, and (iii) in each such case, its successors and assigns.

"Director of Law" means the Director of Law of the Metropolitan Government appointed pursuant to the provisions of the Charter of the Metropolitan Government or, in the absence of such appointment or in the event the person so appointed is unable or incapable of acting in such capacity, the person appointed by the Metropolitan Mayor to undertake the duties otherwise performed by the Director of Law, or his designee, or the Deputy Director of Law acting as the Director in the event of a vacancy in that position under the authority of Section 8.604 of the Charter of the Metropolitan Government.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"ECP" or "ECP Notes" means water and sewer revenue bond anticipation notes of the Metropolitan Government issued in the form of extendable commercial paper in accordance with Section 2.01 hereof.

"ECP Fund" means the special purpose trust fund established pursuant to Section 2.06 and to be held by the Issuing and Paying Agent for the benefit of the Holders from time to time of ECP for the deposit of proceeds of ECP and other moneys to be used to pay the principal of and interest on Outstanding ECP, and the payment therefrom of principal of and interest on Outstanding ECP.

"ECP Program" means a program of the Metropolitan Government consisting of the issuance from time to time of ECP.

"Electronic Means" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"EMMA" means the Electronic Municipal Market Access of the Municipal Securities Rulemaking Board.

"Extended Maturity Date" means, for each ECP Note, a Business Day that is the earlier of: 1) 270 days after its Issue Date and 2) the Final Maturity Date.

"Extended Period Interest Payment Date" means: (i) if the applicable Original Maturity Date is before the 15th day of the month, the first Business Day of the next month and the first Business Day of each month thereafter; and (ii) if the applicable Original Maturity Date is on or after the 15th day of the month, the first Business Day of the second succeeding month and the first Business Day of each month thereafter.

"Extension Rate" means, for each ECP Note, the rate of interest per annum established under Section 2.02(d) for each weekly period from and after the Original Maturity Date.

"Final Maturity Date" means December 31, 2020.

"Holder" means any Person who is in possession of any ECP issued or endorsed to such Person or to the order of such Person or to bearer or in blank; provided, however, that "Holder", when used with reference to Book-Entry ECP evidenced by a Master Note, and such Master Note, shall mean the registered owner of such Master Note as shown on the books of the Issuing and Paying Agent kept pursuant to Section 2.03(b).

"Initial Resolutions" means, collectively, (i) the Current Initial Resolutions; and (ii) future initial resolutions adopted by the Metropolitan County Council of the Metropolitan Government for the purpose of financing capital improvements to the System; provided that any future initial resolution must first be published as prescribed by the Act.

"Issuance Request" means a request made by the Metropolitan Government, acting through an Authorized Officer, to the Issuing and Paying Agent for the delivery of ECP Notes, as described in Section 3.01.

"Issue Date" means, for each ECP Note, the date on which beneficial ownership is transferred to the original purchaser thereof.

"Issuing and Paying Agency Agreement" means the Issuing and Paying Agency Agreement authorized by Section 4.02, as the same may be amended or supplemented, and any other issuing and paying agency agreement which the Metropolitan Government determines to be in replacement thereof as may be entered into by the Metropolitan Government from time to time with respect to the ECP Program.

"Issuing and Paying Agent" means U.S. Bank National Association, appointed by the Metropolitan Government pursuant to this Resolution to serve as Issuing and Paying Agent and registrar in accordance with the Issuing and Paying Agency Agreement, and any successor thereto appointed pursuant to this Resolution.

"Master Note" means a master note issued pursuant to Section 2.03.

"Maximum Rate" means, as of any time, the rate equal to the lesser of (a) 9% per annum, calculated on the basis of actual days elapsed and a 365 or 366 day year, or (b) the maximum rate of interest at the time permitted by Section 47-14-103, Tennessee Code Annotated, or other applicable State law.

"Metropolitan Government" means The Metropolitan Government of Nashville and Davidson County.

"Moody's" means Moody's Investors Service, Inc., or any successor, then maintaining a rating on ECP at the request of the Metropolitan Government.

"Notes" means, collectively, the Traditional Notes and ECP Notes.

"Office" means, when used with reference to the Issuing and Paying Agent, such address as the Issuing and Paying Agent may designate from time to time by notice in writing to the Metropolitan Government and the Dealer.

"Operation and Maintenance Expenses" shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System, including administration costs, as calculated in accordance with generally accepted accounting principles. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include payments in lieu of taxes or any reserve for renewals or replacements or any allowance for depreciation or amortization, and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of the Metropolitan Government which are properly allocable to the System.

"Original Maturity Date" means, for each ECP Note, a Business Day not less than 1 day and not greater than: i) the 90th day after the Issue Date, or ii) the 90th day preceding the Final Maturity Date.

"Original Rate" means, for each ECP Note, the rate of interest per annum borne by such ECP Note to the Original Maturity Date.

"Outstanding" means, when used as of any particular time with reference to ECP, all ECP theretofore or thereupon issued pursuant to this Resolution except (i) ECP theretofore canceled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation; (ii) ECP with respect to which, and only to the extent, all liability of the Metropolitan Government shall have been discharged in accordance with Section 7.01; and (iii) ECP in lieu of, or in substitution for, which other ECP has been or is then being issued by the Issuing and Paying Agent pursuant to the terms of this Resolution.

"Person" means an individual, corporation, firm, association, partnership, limited liability company, trust, or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prevailing Rating" means, at the time of determination and with respect to a Rating Agency, the rating assigned to the ECP Notes by the Rating Agency or any comparable future designation by the Rating Agency.

"Prior Lien Bonds" means, collectively, the Senior Lien Bonds, Second Senior Lien Bonds and Subordinate Lien Bonds.

"Prior Resolutions" means, collectively, the Senior Lien Bond Resolution, the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution, as supplemented and amended.

"Program Documents" means, collectively, this Resolution, the Dealer Agreement and the Issuing and Paying Agency Agreement.

"Projects" means those capital improvements to the System described in the Initial Resolutions.

"Rating Agency" means either or both of Moody's and Standard & Poor's, and/or such other securities rating agencies providing a rating on ECP, at the request of the Metropolitan Government.

"Representation Letter" shall have the meaning set forth in Section 2.03(c).

"Resolution" means this Resolution, as the same may be amended or supplemented pursuant to Article VII.

"Revenues" means (a) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding any customer deposits or other deposits subject to refund, unless such deposits have become property of the Metropolitan Government, (b) the proceeds of any insurance covering business interruption loss relating to the System and (c) interest received or to be received on any moneys or securities held in any of the funds or accounts established by the Prior Resolutions, with the exception of (i) moneys held in any Construction Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution, or any account thereof and (ii) moneys held in any Debt Service Reserve Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution during any period in which the investment earnings thereon are directed by resolution supplemental thereto to any Construction Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution, or any account thereof. The computation of Revenues with respect to any period of time hereunder shall be increased by the amount of transfers during such period from the Rate Stabilization Fund (as defined in the Second Senior Lien Bond Resolution) to the Revenue Fund described in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution pursuant to Section 509(a) of the Second Senior Lien Bond Resolution, and decreased by the amount of any transfers during such period from the Revenue Fund to the Rate Stabilization Fund pursuant to Section 506(e) of the Second Senior Lien Bond Resolution. "Revenues" shall not include any Tax Credit Payments (as defined in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution), grant proceeds or, except as set forth in (b) above, insurance proceeds.

"Second Senior Lien Bonds" shall have the meaning ascribed in the preamble.

"Second Senior Lien Bond Resolution" shall have the meaning ascribed in the preamble.

"Senior Lien Bond Resolution" shall have the meaning ascribed in the preamble.

"Senior Lien Bonds" shall have the meaning ascribed in the preamble.

"SIFMA" means the Securities Industry and Financial Markets Association (formerly the Bond Market Association) or any successor thereto.

"SIFMA Index" means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the Dealer shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

"Standard & Poor's" means Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies, or any successor, then maintaining a rating on ECP at the request of the Metropolitan Government.

"State" means the State of Tennessee.

"Subordinate Lien Bonds" shall have the meaning ascribed in the preamble.

"Subordinate Lien Bond Resolution" shall have the meaning ascribed in the preamble.

"System" means each and every part of the water system and sewer system of the Metropolitan Government that shall be owned and operated by the Metropolitan Government for water supply, transmission, treatment and distribution and for sewage collection, transmission, treatment and disposal or distribution now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed, including any interest or participation of the Metropolitan Government in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way and all other works, property or structures and contract rights and other tangible and intangible assets now or hereafter owned or used in connection with or related to said system. Notwithstanding the foregoing definition of the term "System", such term shall not include any properties or interests in properties of the Metropolitan Government (a) which the Metropolitan Government determines shall not constitute a part of the System for the purpose of the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution at the time of the acquisition thereof by the Metropolitan Government or (b) as to which there shall be filed with the records of the Metropolitan Government a certificate of a Consultant (as defined in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution) stating, in its opinion, that the exclusion of such properties or interests in properties from the System will not materially impair the ability of the Metropolitan Government to comply during the current or any future Fiscal Year with the provisions of Sections 711 of the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution.

"Tax Certificate" means a certificate, as amended from time to time, executed and delivered on behalf of the Metropolitan Government by an Authorized Officer on the date upon which ECP Notes are initially issued and delivered, or any functionally equivalent certificate subsequently executed and delivered on behalf of the Metropolitan Government by an Authorized Officer with respect to the requirements of Section 148 (or any successor section) of the Code relating to the ECP Notes.

"Traditional Notes" shall have the meaning ascribed in the preamble.

SECTION 1.02 Interpretation.

- (a) Unless the context shall otherwise indicate, words importing the singular shall include the plural and vice versa.
- (b) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Resolution.
- (c) The terms "hereby," and "hereof," "herein," "hereunder," and any similar terms used in this Resolution refer to this Resolution as a whole unless otherwise expressly stated.
- (d) All references to time shall, unless otherwise stated, be deemed to be to the prevailing time in New York, New York.
- (e) Any headings preceding the text of the several Articles and Sections and the table of contents of this Resolution are solely for convenience of reference and shall neither constitute a part of this Resolution nor affect its meaning, interpretation or effect.

SECTION 1.03 Authority for this Resolution. This Resolution is adopted pursuant to the Act and the Initial Resolutions.

ARTICLE II

AUTHORIZATION; TERMS AND SECURITY; ECP FUND

SECTION 2.01 Authorization of ECP. The Metropolitan County Council hereby authorizes the issuance from time to time of one or more series or issues of bond anticipation notes in the form of ECP in an aggregate principal amount outstanding at any time of not to exceed \$100,000,000. The ECP is being issued in anticipation of the issuance of Bonds. The proceeds of ECP shall be used only to: (i) pay the Costs and (ii) refund or renew ECP previously issued hereunder.

SECTION 2.02 Terms Applicable to ECP.

- (a) Each issue of ECP Notes shall:
 - (i) be designated "Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program," together with such additional designations as may be determined by any Authorized Officer;
 - (ii) be issued in registered form;
 - (iii) be dated its Issue Date;
 - (iv) be issued in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof;
 - (v) bear interest from its Issue Date, payable on its Original Maturity Date, at an fixed annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed), which shall not in any event exceed the Maximum Rate; and
 - (vi) mature on its Original Maturity Date.

(b) Notwithstanding the provisions of subsections (a)(v) and (a)(vi) above, the Metropolitan Government may elect to extend the maturity date of an ECP Note in the following manner: The Metropolitan Government shall notify the Issuing and Paying Agent and the Dealer by 11:30 a.m. on the Original Maturity Date that it wishes to exercise its option to extend the maturity of an ECP Note. The Issuing and Paying Agent shall correspondingly notify (i) DTC by 12:00 noon on the Original Maturity Date and (ii) each Rating Agency then maintaining a rating on the ECP Notes and EMMA by the close of business on the Original Maturity Date, that the maturity is being extended. Even if the requisite notices are not given by the Metropolitan Government and/or the Issuing and Paying Agent, if payment of the principal of and interest on an ECP Note does not occur on the Original Maturity Date, the maturity of the ECP Note shall be extended automatically. With the consent of the Issuing and Paying Agent and the Dealer, the Metropolitan Government may modify the notification provisions contained in this Section 2.02(b) if deemed appropriate to conform to DTC's rules and procedures. In no event shall an extension of the Original Maturity Date constitute a default or a breach of any covenant under this Resolution.

(c) If the Metropolitan Government exercises its option to extend the maturity of an issue of ECP Notes, as described in subsection (b) above, then:

(i) neither principal nor interest shall be paid on the Original Maturity Date for such issue of ECP Notes;

(ii) the ECP Notes shall mature on the Extended Maturity Date;

(iii) the ECP Notes shall bear interest from the Original Maturity Date at the Extension Rate;

(iv) accrued but unpaid interest shall be paid on each Extended Period Interest Payment Date and on the Extended Maturity Date, and no additional interest shall accrue on the accrued but unpaid interest.

(d) The Extension Rate shall be the rate of interest per annum determined by the following formula; provided that such Extension Rate shall not exceed the Maximum Rate:

The greater of (SIFMA Index + *E*) or *F*

The Extension Rate applicable to an ECP Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m. on the Original Maturity Date of the Note and each Thursday thereafter and will apply from that date through the following Wednesday or, if earlier, the applicable Extended Maturity Date. As used in the formula, the *E* and *F* variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of the Rating Agencies then rating the ECP Notes, as follows:

Prevailing Rating		<u>E Variable</u>	<u>F Variable</u>
<u>Moody's</u>	<u>S&P</u>		
P-1	A-1+	250 basis points	7.00%
-	A-1	350 basis points	7.50%
P-2	A-2	550 basis points	8.00%
Lower than P-2 (or rating withdrawn for credit reasons)	Lower than A-2 (or rating withdrawn for credit reasons)	Maximum Rate	Maximum Rate

If the individual Prevailing Ratings indicate different E or F variables as a result of split ratings assigned to the Metropolitan Government, the E or F variable shall be the arithmetic average of those indicated by the Prevailing Ratings. If another credit rating agency becomes a Rating Agency, the Issuing and Paying Agent shall, upon written direction of the Metropolitan Government, following consultation with the Metropolitan Government and the Dealer, determine how the agency's rating categories shall be treated for the purpose of indicating an *E* or *F* variable.

(e) The ECP Notes shall not be subject to redemption prior to their Original Maturity Date. In the event the Metropolitan Government exercises its option to extend the maturity of an ECP Note, that ECP Note may be redeemed on any date after its Original Maturity Date, at the option of the Metropolitan Government at a redemption price equal to par, plus accrued and unpaid interest to the redemption date; provided that no ECP Note with an Extended Maturity Date shall be redeemed unless all ECP Notes then Outstanding that have been extended beyond their Original Maturity Date are redeemed simultaneously. To exercise its redemption option, the Metropolitan Government shall provide not less than five nor more than 25 calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will notify DTC of the Notes to be redeemed within one Business Day of receipt of such notice.

SECTION 2.03 Book-Entry ECP.

(a) Subject to subsection (f) of this Section, the ECP shall be issued (i) in the form of one or more fully registered master note or notes (each, a "Master Note") the ownership of which shall be registered in the name of the nominee of the Depository (initially, with respect to DTC, Cede & Co.) and which may be transferred or exchanged only as hereinafter provided in this Section and, to the extent not inconsistent herewith, in accordance with the procedures of the Depository as then in effect, and (ii) otherwise in book-entry only form through the Depository.

(b) The ownership and transfer of Master Notes shall be registered on books of the Issuing and Paying Agent, which shall be kept for that purpose at the Office of the Issuing and Paying Agent. The Master Notes shall be transferable by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Issuing and Paying Agent duly executed by the registered owner or his duly authorized attorney. Upon the registration or transfer of a Master Note, the Issuing and Paying Agent shall issue in the name of the transferee a new Master Note, evidencing the Metropolitan Government's obligations with respect to the same Book-Entry ECP as the instrument surrendered.

(c) In order to qualify the ECP for the Depository's book-entry system, any Authorized Officer is hereby authorized from time to time to execute and deliver on behalf of the Metropolitan Government to such Depository a letter or letters from the Metropolitan Government representing such matters as shall be necessary or advisable to so qualify the ECP (each, a "Representation Letter"). The execution and delivery of a Representation Letter shall not in any way impose upon the Metropolitan Government any obligation whatsoever with respect to persons having interests in the ECP other than the Holders thereof and the Depository. In addition to the execution and delivery of a Representation Letter, the Authorized Officers and the other officers and employees of the Metropolitan Government are hereby authorized to take any other actions, not inconsistent with this Resolution, to qualify the ECP for the Depository's book-entry system.

(d) The Depository and its nominee shall be deemed to be and be treated by the Metropolitan Government and the Issuing and Paying Agent as the sole and exclusive Holder of the Master Notes and of all Book-Entry ECP evidenced thereby, and the beneficial owners of Book-Entry ECP shall not be deemed to be or treated as the Holders thereof, for the purposes of payment of the principal of or interest

on such Book-Entry ECP, payments under the Master Notes, giving any notice permitted or required to be given to Holders under this Resolution, registering the transfer of the Master Notes, obtaining any consent or other action to be taken by Holders, and for any and all other purposes whatsoever, and neither the Metropolitan Government nor the Issuing and Paying Agent shall be affected by any notice to the contrary. The Issuing and Paying Agent shall pay all principal of and interest on Book-Entry ECP only to or upon the order of the Depository or its nominee, and all such payments shall be valid and effective to fully satisfy and discharge the Metropolitan Government's obligations with respect to the principal of and interest on such Book-Entry ECP to the extent of the sum or sums so paid.

(e) With respect to all Book-Entry ECP, neither the Metropolitan Government nor the Issuing and Paying Agent shall have any responsibility or obligation to any Depository, direct or indirect participant or any Person claiming a beneficial ownership interest in Book-Entry ECP under or through the Depository or any Depository participant, or any nominee of any thereof, or any other Person which is not shown on the books of the Issuing and Paying Agent as being the Holder of a Master Note, with respect to: (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by the Depository, any Depository participant or any such nominees; (3) payment or the timeliness of payment by the Depository to any Depository participant, or by any Depository participant or other nominees of beneficial owners to any beneficial owners, of any amount in respect of the principal of or interest on Book-Entry ECP; (4) delivery or timely delivery by the Depository to any Depository participant, or by any Depository participant or other nominees of beneficial owners to any beneficial owners, of any notice which is permitted or required to be given to Holders under this Resolution; or (5) any consent or other action taken by the Depository or its nominee as Holder of Book-Entry ECP.

(f) The Depository may determine not to continue to act as securities depository for the ECP, or the Metropolitan Government may determine to discontinue the book-entry only issuance of the ECP through the Depository and in such case shall deliver a written notice to the Issuing and Paying Agent and the Dealer to that effect. In either case, if the Metropolitan Government determines to replace the Depository with another qualified securities depository, the Metropolitan Government shall prepare or direct the preparation of one or more new, separate, fully registered Master Notes, registered in the name of such successor or substitute qualified securities depository or its nominee, or make such other arrangements acceptable to the Metropolitan Government, the Issuing and Paying Agent and the replacement Depository as are not inconsistent with the terms of this Resolution. If the Metropolitan Government fails to identify another securities depository to replace the Depository, the Metropolitan Government may amend this Resolution pursuant to paragraph 6 of Section 6.01 and shall deliver to the Issuing and Paying Agent for safekeeping, completion, authentication and delivery in accordance with the provisions of this Resolution, as so amended, and of the Issuing and Paying Agency Agreement, ECP instruments executed on behalf of the Metropolitan Government, with the date of issuance, principal amount, maturity date, owner and rate of interest left blank. Each such ECP instrument shall be held in safekeeping by the Issuing and Paying Agent until authenticated and issued in accordance with the provisions of this Resolution and of the Issuing and Paying Agency Agreement.

SECTION 2.04 Forms, Execution and Payment of ECP.

(a) The ECP shall be executed on behalf of the Metropolitan Government with the manual or facsimile signatures of the Metropolitan Mayor and of the Metropolitan Clerk, shall have impressed or imprinted thereon, by facsimile or otherwise, the official seal of the Metropolitan Government, and shall be approved as to form and legality by the Director of Law by his or her manual or facsimile signature. In case any officer of the Metropolitan Government whose signature or whose facsimile signature shall appear on the ECP shall cease to be such officer before the delivery of such ECP, such signature or the

facsimile signature thereof shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

(b) The Master Notes and the endorsement for authentication to appear thereon shall be substantially in the form attached hereto as Exhibit A or such other form as shall be consistent with the terms of this Resolution, and each ECP instrument, other than the Master Note, and the endorsement for authentication to appear thereon shall be in such form as the Metropolitan Government may prescribe at the time such ECP instrument is to be issued, in each case with such appropriate series designations, insertions, omissions, substitutions and other variations as are permitted or required by this Resolution, and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures, or CUSIP) and such legends and endorsements thereon as may, consistent herewith, be approved by an Authorized Officer.

(c) No Master Note or other ECP instrument shall be valid or obligatory for any purpose until manually countersigned for authentication by the Issuing and Paying Agent.

(d) The Metropolitan Government and the Issuing and Paying Agent may deem and treat the registered owner of ECP Notes as the absolute owner thereof (whether or not such ECP Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuing and Paying Agent) for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Metropolitan Government nor the Issuing and Paying Agent shall be affected by any notice to the contrary.

(e) In the event any ECP Note is mutilated or defaced but identifiable by number and description, the Metropolitan Government shall execute and the Authenticating Agent shall authenticate and deliver a new ECP Note of like Series, date, maturity and denomination as such ECP Note, upon surrender thereof to the Issuing and Paying Agent; provided that there shall first be furnished to the Issuing and Paying Agent clear and unequivocal proof satisfactory to the Issuing and Paying Agent that the ECP Note is mutilated or defaced to such an extent as to impair its value to the Noteholder. The Noteholder shall accompany the above with a deposit of money required by the Issuing and Paying Agent for the cost of preparing the substitute ECP Note and all other expenses connected with the issuance of such substitute. The Issuing and Paying Agent shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(f) In the event any ECP Note is lost, stolen or destroyed, the Metropolitan Government may execute and the Authenticating Agent may authenticate and deliver a new ECP Note of like Series, date, maturity and denomination as that ECP Note lost, stolen or destroyed, provided that there shall first be furnished to the Issuing and Paying Agent evidence of such loss, theft or destruction satisfactory to the Issuing and Paying Agent, together with indemnity satisfactory to it and the Metropolitan Government.

(g) The Issuing and Paying Agent may charge the holder of any such ECP Note all governmental charges and transfer taxes, if any, and its reasonable fees and expenses in this connection. All substitute ECP Notes issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, as determined by the Issuing and Paying Agent. In the event any such ECP Note has matured or been called for redemption, instead of issuing a substitute ECP Note, the Issuing and Paying Agent may pay the same at its maturity or redemption without surrender thereof upon receipt of indemnity satisfactory to it and the Metropolitan Government.

(h) Upon surrender for transfer of any ECP Note at the designated corporate trust office of the Issuing and Paying Agent, the Issuing and Paying Agent shall deliver in the name of the transferee or

transferees a new fully authenticated and registered ECP Note or Notes of authorized denominations of the same Series, and maturity for the same aggregate principal amount.

(i) Noteholders may present ECP Notes at the designated corporate trust office of the Issuing and Paying Agent for exchange for ECP Notes of different authorized denominations and, upon such presentation, the Issuing and Paying Agent shall deliver to the Noteholder a new fully authenticated and registered ECP Note or Notes of the same Series and maturity for the same aggregate principal amount. All ECP Notes presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Issuing and Paying Agent, duly executed by the Noteholder or by his duly authorized attorney.

(j) The Issuing and Paying Agent also may require payment from the Noteholder of a sum sufficient to cover any tax, or other governmental fee or charge that may be imposed in relation thereto. Such taxes, fees and charges shall be paid before any such new ECP Note shall be delivered.

(k) Notes delivered upon any exchange or transfer as provided herein, or as provided in Section 2.08 hereof, shall be valid limited obligations of the Metropolitan Government, evidencing the same debt as the ECP Note or Notes surrendered, shall be secured by this Resolution and shall be entitled to all of the security and benefits hereof to the same extent as the ECP Note or Notes surrendered.

(l) Whenever any ECP Note shall be delivered to the Issuing and Paying Agent for cancellation pursuant to this Resolution, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.08 or exchange or transfer pursuant to Section 2.09, such ECP Note shall be cancelled and destroyed by the Issuing and Paying Agent or the Issuing and Paying Agent and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Issuing and Paying Agent to the Metropolitan Government.

(m) Pending preparation of definitive ECP Notes, the Metropolitan Government may execute and the Issuing and Paying Agent shall authenticate and deliver, in lieu of definitive ECP Notes and subject to the same limitations and conditions, interim receipts, certificates or temporary ECP Notes which shall be exchanged for the ECP Notes. If temporary ECP Notes shall be issued, the Metropolitan Government shall cause the definitive ECP Notes to be prepared and to be executed, authenticated and delivered to the Issuing and Paying Agent, and the Issuing and Paying Agent, upon presentation to it of any temporary ECP Note, shall cancel the same and deliver in exchange therefor at the place designated by the holder, without charge to the holder thereof, definitive ECP Notes of an equal aggregate principal amount of the same Series issue date, maturity and bearing interest the same as the temporary ECP Notes surrendered. Until so exchanged, the temporary ECP Notes shall in all respects be entitled to the same benefit and security of this Resolution as the definitive ECP Notes to be issued and authenticated hereunder.

(n) Both principal of and interest on ECP shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. Except in the case of Book-Entry ECP, principal of and interest on ECP shall be payable upon presentation and surrender thereof at the Office of the Issuing and Paying Agent.

SECTION 2.05 Security and Sources of Payment. The ECP Notes are payable primarily from the proceeds of subsequently issued ECP Notes and the proceeds of the Bonds. Additionally, the ECP Notes shall constitute and be limited obligations of the Metropolitan Government payable from and secured solely by a pledge of the Revenues of the System, subject to the application thereof pursuant to the terms of the Prior Resolutions (including, without limitation, to the payment of Operation and Maintenance Expenses) and subject to the prior pledge of such Revenues in favor of the Prior Lien Bonds. The pledge

of Revenues to the payment of the ECP Notes is on parity with the pledge thereof in favor of the Traditional Notes.

SECTION 2.06 ECP Fund.

(a) There is hereby created and established with the Issuing and Paying Agent a separate and special purpose trust fund for the benefit of the Holders to be designated as the "Metropolitan Government Water and Sewer Revenue Extendable Commercial Paper Fund" (the "ECP Fund"). The Issuing and Paying Agent shall have the sole right of withdrawal over the moneys in the ECP Fund, except as may otherwise be described in this Section 2.06.

(b) Subject to the application of Revenues in the manner described in Section 2.05 hereof, the Metropolitan Government may deposit Revenues or proceeds of its Bonds or other indebtedness into the ECP Fund for the purpose of paying the principal of and/or interest on Outstanding ECP.

(c) The Issuing and Paying Agent, as agent for the Holders from time to time of ECP, shall:

(i) Upon the sale of ECP on any day, deposit to the ECP Fund an amount of the proceeds thereof, which, together with any funds otherwise on deposit in the ECP Fund on such day is sufficient to pay the principal of and interest on Outstanding ECP maturing or being redeemed on such day, and use such proceeds and other funds (if applicable) to pay the principal of and interest on such Outstanding ECP;

(ii) Upon the sale of ECP on any day, to the extent the proceeds thereof are in excess of the amount required by subsection (i), transfer the balance of such excess to the Metropolitan Government;

(iii) deposit into the ECP Fund the proceeds of Bonds, notes or other evidences of indebtedness transferred to the Issuing and Paying Agent by or on behalf of the Metropolitan Government, and apply such deposits to the payment of the principal of and interest on Outstanding ECP, or otherwise, as an Authorized Officer shall specify from time to time in written instructions filed with the Issuing and Paying Agent; and

(iv) apply the moneys on deposit in the ECP Fund solely to the payment of the principal of and interest on the ECP, as aforesaid, as the same mature and become due and payable, or otherwise as provided above.

(d) Amounts on deposit in the ECP Fund as proceeds of ECP to be used to pay the principal of and/or interest on other ECP as required by subsection (c)(i) of this Section shall not be invested prior to their application for such purposes. Other amounts on deposit in the ECP Fund may be invested prior to their application for authorized purposes, but only at the direction of an Authorized Officer, and only in securities held in the name of the Metropolitan Government or the Issuing and Paying Agent as trustee for the Metropolitan Government (in either case, either as registered or beneficial owner), and otherwise shall not earn interest.

(e) The ECP Fund, and all moneys and securities on deposit therein, shall be held by the Issuing and Paying Agent in a fiduciary capacity and shall not be commingled with the assets of the Issuing and Paying Agent or any other person. It is the intent of the Metropolitan Government that the ECP Fund, and all moneys and securities on deposit therein, shall constitute a special deposit and not a general deposit of the Issuing and Paying Agent.

ARTICLE III

ISSUANCE AND SALE; APPLICATION OF PROCEEDS; OFFERING MEMORANDUM

SECTION 3.01 Conditions Prior to First Issue of ECP Notes. Prior to the initial delivery of ECP Notes under this Resolution and as a condition to such initial issuance, the Metropolitan Government shall deliver to the Issuing and Paying Agent:

- (a) a certified copy of this Resolution;
- (b) a fully executed Dealer Agreement;
- (c) a fully executed Issuing and Paying Agency Agreement;
- (d) original, fully-executed ECP Notes or an original, fully-executed Master Note;
- (e) an opinion of Bond Counsel to the effect that the ECP Notes have been duly and validly authorized and, when duly executed in the form and manner provided in this Resolution, duly authenticated by the Issuing and Paying Agent, delivered, and paid for, will constitute limited obligations of the Metropolitan Government payable and secured by Revenues, issued pursuant to the Act, and that (based upon assumptions stated therein) the interest on the ECP Notes is excluded from gross income of the owners for federal income tax purposes pursuant to the Code. The opinion of Bond Counsel may be qualified as to such matters as are acceptable to the Dealer; and
- (f) the approval of the Director of State and Local Finance of the State of Tennessee of the issuance of the ECP Notes along with her consent to the renewal of the ECP Notes for up to six years and her waiver of the requirement of the amortization of the principal thereof.

SECTION 3.02 Issuance Requests.

(a) The Issuing and Paying Agent shall authenticate and deliver ECP Notes from time to time for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an Issuance Request, no later than 12:00 Noon on the Business Day on which ECP Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the ECP Notes referred to therein and to deliver the same to or upon the order of the Dealer. Each Issuance Request shall include:

- (i) the aggregate principal amount of ECP Notes then to be issued;
 - (ii) the denominations in which they are to be issued;
 - (iii) the Original Rate;
 - (iv) the Issue Date;
 - (v) the Original Maturity Date;
 - (vi) the Extended Maturity Date; and
 - (vii) any additional designations thereof.
- (b) The delivery of any Issuance Request under subsection (a) hereof to the Issuing and Paying Agent by an Authorized Officer in the manner provided therein shall constitute the certification

and representation of the Metropolitan Government to the Issuing and Paying Agent that, as of the date thereof:

(i) after the issuance of such ECP Notes and the application of the proceeds thereof, (1) the sum of the aggregate principal amount of ECP Notes Outstanding will not exceed \$100,000,000 and (2) the sum of the aggregate principal amount of ECP Notes Outstanding, together with all other Bonds, notes or other indebtedness issued pursuant to the Initial Resolutions, will not exceed the amount of indebtedness authorized by the Initial Resolutions;

(ii) to the Metropolitan Government's knowledge there has been no change in the facts, estimates, circumstances and representations of the Metropolitan Government set forth or made in the Tax Certificate;

(iii) the Original Maturity Date set forth in the Issuance Request does not extend beyond 90 days prior to the Final Maturity Date;

(iv) the Extended Maturity Date of such Commercial Paper Notes set forth in the Issuance Request does not extend beyond the Final Maturity Date;

(v) the Metropolitan Government has not been notified by Bond Counsel that its opinion with respect to the validity of the ECP Notes and the tax treatment of the interest thereon has been revised or withdrawn or, if any such revision or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealer has been delivered;

(vi) to the actual knowledge of the Metropolitan Government, the Metropolitan Government is in compliance with the terms of this Resolution; and

(vii) all of the conditions precedent to the issuance of such ECP Notes set forth in this Section of this Resolution have been satisfied.

(c) The Metropolitan Government may deliver an Issuance Request for the issuance of multiple ECP Notes on multiple dates in the future, and shall have the right to rescind such notice with respect to any issue of ECP Notes to be issued until 11:00 a.m. on any date ECP Notes are to be issued.

(d) No later than 2:30 p.m. on each Business Day on which the Metropolitan Government proposes to issue ECP Notes, the Dealer shall report to the Metropolitan Government each transaction made with or arranged by it or shall notify the Metropolitan Government and the Issuing and Paying Agent of the difference, if any, between the amount of maturing ECP Notes and the amount of ECP Notes which the Dealer has arranged to sell or has agreed to purchase.

(e) Upon receipt of such Issuance Request (which may be transmitted by mail, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing by 2:00 p.m.), the Issuing and Paying Agent shall, by 3:00 p.m. on such day, complete each ECP Note as to amount, Issue Date, Original Maturity Date, Extended Maturity Date and Original Rate specified in such Issuance Request, and deliver each such ECP Note to or upon the order of the Dealer upon receipt of payment therefor. If an Issuance Request is received after 12:00 Noon on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested ECP Notes until the next succeeding Business Day.

(f) Notwithstanding the foregoing, the Issuing and Paying Agent shall not deliver any ECP Notes if:

(i) such delivery would cause the sum of the aggregate principal amount of ECP Notes Outstanding to exceed \$100,000,000;

(ii) the Issuing and Paying Agent shall have received notice from an Authorized Officer directing the Issuing and Paying Agent to cease authenticating and delivering ECP Notes until such time as such direction is withdrawn by similar notice;

(iii) the Issuing and Paying Agent shall have received notice from Bond Counsel that its opinion regarding the exclusion of interest on the ECP Notes from gross income for Federal income tax purposes of the holders thereof is being withdrawn;

(iv) the Original Maturity Date of such ECP Notes would extend beyond the 90th day preceding the Final Maturity Date; or

(v) the Extended Maturity Date of such ECP Notes would extend beyond the Final Maturity Date.

(g) Any Issuance Request made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and shall be confirmed promptly in writing by an Authorized Representative; provided, however, that any conflict between any recorded oral Issuance Request and the written confirmation thereof, shall not affect the validity of any recorded oral Issuance Request received by the Issuing and Paying Agent as provided herein. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.

(h) The purchase price of each Note shall be 100% of the principal amount thereof, and no Note shall be deemed to be issued until payment for its purchase has been made in lawful money of the United States of America.

SECTION 3.03 Proceeds of Sale of ECP. The proceeds of the sale hereunder of ECP shall be applied as follows:

(a) The proceeds of each sale of ECP on any day in an amount not in excess of the principal of Outstanding ECP becoming due and payable on such day, and for the payment of which the Metropolitan Government has not theretofore deposited other amounts into the ECP Fund, shall be deemed to have been issued for the purpose of paying such principal, and such proceeds shall be deposited into the ECP Fund and used to pay such principal as provided in Section 2.06(c)(i).

(b) The proceeds of each sale of ECP on any day in an amount in excess of the principal of Outstanding ECP becoming due and payable on such day, if any, and for the payment of which the Metropolitan Government has not theretofore deposited other amounts into the ECP Fund, shall be deemed to have been issued for the purpose of paying Costs and shall be transferred to the Metropolitan Government as directed in writing by an Authorized Officer, as provided in Section 2.06(c)(ii). Such proceeds shall be held and invested in a segregated fund of the Metropolitan Government in accordance with applicable law and applied exclusively to the Costs.

SECTION 3.04 Offering Memoranda.

(a) Any Authorized Officer is hereby authorized to prepare, execute, deliver and distribute an Offering Memorandum or other offering statement containing such information concerning the ECP, the Metropolitan Government and its financial condition and such other information as such Authorized

Officer shall approve, and to revise supplement and update the same from time to time. The Metropolitan Government hereby authorizes the use of any such Offering Memorandum and all such revisions, supplements and updates in connection with the sale of the ECP.

(b) The Metropolitan Government hereby approves the use of the initial Offering Memorandum in the substantially in the form of the draft attached hereto as Exhibit B, with such changes, insertions, deletions, amendments, and supplements as such Authorized Officer shall approve.

ARTICLE IV

DEALER AGREEMENTS; ISSUANCE AND PAYING AGENCY AGREEMENT; RESPONSIBILITIES OF ISSUING AND PAYING AGENT

SECTION 4.01 Dealer Agreements; Dealers.

(a) The Metropolitan Mayor and the Metropolitan Clerk are hereby authorized to execute and deliver one or more Dealer Agreements, each of which shall be substantially in the form of the draft thereof attached hereto as Exhibit C, with such changes and additions to and omissions from such draft of such agreement as the officer executing such agreement shall approve as necessary or appropriate, such execution and delivery to be conclusive evidence of such approval.

(b) The Metropolitan Government shall promptly give written notice to the Issuing and Paying Agent of the resignation, removal, or appointment of each Dealer (other than of the appointment of the initial Dealer or Dealers).

SECTION 4.02 Issuing and Paying Agency Agreement. The Metropolitan Mayor and the Metropolitan Clerk are hereby authorized to execute and deliver the Issuing and Paying Agency Agreement, which shall be substantially in the form of the draft thereof attached hereto as Exhibit D, with such changes and additions to and omissions from such draft of such agreement as the officer executing such agreement shall approve as necessary or appropriate, such execution and delivery to be conclusive evidence of such approval.

SECTION 4.03 Issuing and Paying Agent.

(a) The Metropolitan Government covenants to maintain and provide an Issuing and Paying Agent at all times while the ECP is Outstanding, which shall be a bank, trust company or national banking association (and, except in the case of Book-Entry ECP, having an office for delivery of ECP in New York, New York), in each case with trust powers. Should a change in the Issuing and Paying Agent for the ECP Program occur, the Metropolitan Government agrees to promptly cause a notice thereof to be posted on EMMA; provided however, that such notice shall not be required to be posted, but shall be delivered to the Depository, if the ECP are being issued as Book-Entry ECP at such time. Such notice shall specify the Office of the successor Issuing and Paying Agent. A successor Issuing and Paying Agent may be appointed without the consent of the Holders.

(b) The Metropolitan Government may remove any Issuing and Paying Agent by giving not less than fifteen (15) days advance written notice to the Issuing and Paying Agent and the Dealer. The Metropolitan Government shall give written notice of the appointment of a successor Issuing and Paying Agent to the Dealer.

(c) The Issuing and Paying Agent may resign at any time by giving written notice of such resignation to the Metropolitan Government and the Dealer specifying the date as of which the Issuing and Paying Agent proposes that the same shall become effective, which date shall be not less than 30 days

after the date of such notice. The Metropolitan Government shall give written notice of the appointment of a successor Issuing and Paying Agent to the Dealer.

(d) Notwithstanding subsections (b) and (c) above, no such removal or resignation shall be effective unless and until a successor has been appointed and shall have accepted the duties and obligations of Issuing and Paying Agent under this Resolution. If no successor has been appointed within 30 days as aforesaid, the Issuing and Paying Agent shall have the right to petition a court of competent jurisdiction for the appointment of a successor Issuing and Paying Agent, and the Issuing and Paying Agent shall be reimbursed by the Metropolitan Government for any and all expenses in connection with any such petition and appointment. On the effective date of any such removal or resignation, the Issuing and Paying Agent shall deliver to the successor Issuing and Paying Agent, if any, at the direction of the Metropolitan Government, or otherwise to the Metropolitan Government, all canceled or unissued ECP instruments then held by the Issuing and Paying Agent for disposition in accordance with this Resolution, and shall transfer the funds then held by it to the successor Issuing and Paying Agent, if any, at the direction of the Metropolitan Government, or otherwise to the Metropolitan Government. The Metropolitan Government shall pay all outstanding fees and expenses due and owed to the Issuing and Paying Agent following such removal or resignation.

ARTICLE V COVENANTS

SECTION 5.01 Punctual Payment. The Metropolitan Government will punctually pay or cause to be paid the principal of and interest on the ECP in conformity with this Resolution. For the purpose of providing for the payment of the principal of and interest on Outstanding ECP on the date that the same shall become due and payable, the Metropolitan Government, on or prior to such date, will pay or cause to be paid to the Issuing and Paying Agent for deposit in the ECP Fund, amounts which, together with other amounts then on deposit in such ECP Fund, will be sufficient and available to make such payment on such date. The foregoing is not intended to preclude the Metropolitan Government from extending the maturity date of ECP Notes in the manner described in Section 2.2(b).

SECTION 5.02 Covenant to Refinance. With respect to any ECP Notes the maturity of which has been extended pursuant to Section 2.02(b) hereof, the Metropolitan Government covenants that it will promptly seek approval of the Metropolitan County Council for the issuance of Bonds or other debt obligations to refinance such ECP Notes and, provided such approval is received, to offer and sell such Bonds or other debt obligations upon reasonable and customary terms and conditions so that the proceeds thereof may be applied to the payment of such ECP Notes on or prior to the applicable Extended Maturity Date.

SECTION 5.03 Compliance With Agreements and Other Documents. The Metropolitan Government will comply with the terms and provisions of the Dealer Agreement, the Issuing and Paying Agent Agreement, the Prior Resolutions and any other resolution or contract to which the Metropolitan Government is a party, the non-compliance with which would materially adversely affect the ability of the Metropolitan Government to make payment of the principal of and interest on the ECP as and when the same becomes due and payable.

SECTION 5.04 ECP to Remain Tax-Exempt. The Metropolitan Government covenants that it will execute and deliver a Tax Certificate in the form prescribed by Bond Counsel in connection with the first issuance of ECP, and that in connection with any subsequent issuance of ECP it will, if requested by Bond Counsel, execute and deliver either written confirmation that the facts, estimates, circumstances and reasonable expectations contained therein continue to be accurate as of such issue date or a revised Tax Certificate dated such issue date. Each Issuance Request by an Authorized Officer given or made pursuant

to Section 3.01(c) shall constitute a representation by the Metropolitan Government that the facts, estimates, circumstances and reasonable expectations contained in the latest of such Tax Certificates continues to be true and accurate as of the date of such Issuance Request, and that no fact material to the exclusion of the interest on the ECP from gross income for federal income tax purposes exists which has not been reflected in a revised Tax Certificate. The Metropolitan Government represents and covenants that it will not expend, or permit to be expended, the proceeds of any ECP in any manner inconsistent with its reasonable expectations as certified in the Tax Certificates to be executed from time to time with respect to the ECP Program; provided however, that the Metropolitan Government may expend ECP proceeds in such manner if the Metropolitan Government first obtains an unqualified opinion of Bond Counsel that such expenditure will not impair the exclusion of interest on the ECP from gross income for federal income tax purposes.

The Metropolitan Government further covenants that no use of the proceeds of any of the ECP or any other funds of the Metropolitan Government will be made which will cause any ECP to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. To that end, the Metropolitan Government shall comply with all requirements of said Section 148 and of all regulations issued thereunder or otherwise applicable thereto.

The Metropolitan Government covenants that it will not use any proceeds of the ECP or any other funds held under this Resolution for any purpose which would cause any ECP to be subject to treatment as a "private activity bond" defined in Section 141 of the Code.

SECTION 5.05 Reservation of Right to Issue Other Obligations. The Metropolitan Government hereby expressly reserves the right hereafter to issue Bonds, notes or other evidences of indebtedness in addition to the ECP, secured by Revenues of the System, and additionally secured as may be required by the Act or other provisions of law or as determined by the Metropolitan Government, when and as the Metropolitan Government shall determine and authorize.

ARTICLE VI

AMENDMENTS AND SUPPLEMENTS

SECTION 6.01 Without Consent of Holders of ECP. The Metropolitan Government, from time to time and at any time, (i) without the consent or concurrence of any Holder of any ECP, may adopt a resolution for the purpose of providing for the issuance of any Bonds, notes or other evidences of indebtedness as permitted by Section 6.05, and (ii) without the consent or concurrence of any Holder of any ECP, may adopt a resolution amendatory hereof or supplemental hereto, if the provisions of such resolution shall not materially adversely affect the rights of the Holders of the ECP then Outstanding, for any one or more of the following purposes:

1. to make any changes or corrections in this Resolution as to which the Metropolitan Government shall have been advised by counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in this Resolution, or to insert in this Resolution such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;
2. to add additional covenants and agreements of the Metropolitan Government for the purpose of further securing the payment of the ECP;
3. to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution;

4. to grant to or confer upon the Holders of the ECP any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

5. to comply with any request by or requirement of any Rating Agency which is necessary, or which the Metropolitan Government reasonably believes is necessary, to prevent a downward revision by such Rating Agency in the rating of ECP;

6. to provide for the issuance, transfer, exchange, registration, discharge from registration and replacement of ECP other than Book-Entry ECP; and

7. to increase the maximum aggregate principal amount of ECP that may be Outstanding at any time; provided however, that prior to the effectiveness thereof the Metropolitan Government shall have received written evidence from each Rating Agency to the effect that such increase will not, by itself, result in a reduction, withdrawal or suspension of such Rating Agency's rating of the ECP Program which then prevails; and

8. to modify any of the provisions of this Resolution in any other respect if such modification shall be effective only with respect to ECP issued subsequent to the effectiveness of such resolution or modification, in which case any ECP instrument (except any Master Note) issued subsequent to the effectiveness of any such modification shall contain a specific reference to, and the Metropolitan Government shall give written notice to the Depository of Book-Entry ECP of, the modifications contained in such resolution; *provided, however*, that nothing contained in this Resolution shall permit or be construed to permit the amendment of the terms and conditions of this Resolution or of the ECP Program so as to:

- a. make any change in the maturity of any Outstanding ECP;
- b. reduce the rate of interest borne by any Outstanding ECP;
- c. reduce the amount of the principal payable on any Outstanding ECP;
- d. modify the terms of payment of principal of or interest on any Outstanding ECP, or impose any conditions with respect to such payment;
- e. affect the rights of the Holders of less than all Outstanding ECP; or
- f. reduce or restrict the provision made in Section 2.05 for payment of Outstanding ECP.

SECTION 6.02 Other Agreements. Nothing in this Resolution shall be deemed to restrict any amendment, modification or supplement to the Issuing and Paying Agency Agreement or the Dealer Agreement, or the establishment (or amendment, modification or supplementing) of any limitation on, or procedure for, the issuance of ECP which is effective only with respect to ECP issued subsequent to the effectiveness of such amendment, modification, supplement or limitation to the extent not in conflict with this Resolution.

ARTICLE VII

DEFEASANCE; UNCLAIMED MONIES

SECTION 7.01 ECP Deemed Paid; Discharge of Resolution. ECP will be deemed paid for all purposes of this Resolution when (a) payment of the principal of and interest on such ECP to the due date

of such principal and interest (whether at maturity or otherwise) either (1) has been made in accordance with the terms of such ECP or (2) has been provided for by depositing with the Issuing and Paying Agent (A) moneys sufficient to make such payment and/or (B) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (for purposes of this Section 7.01 and Section 7.02, "Government Obligations") maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all compensation and expenses of the Issuing and Paying Agent pertaining to the ECP Program in respect of which such deposit is made have been paid or provided for to the satisfaction of the Issuing and Paying Agent. When ECP is deemed paid, it will no longer be secured by or entitled to the benefits of this Resolution or be an obligation of the Metropolitan Government, except for payment from such moneys or Government Obligations, and no additional ECP may be issued except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article II and pursuant to paragraph 6 of Section 6.01.

When all outstanding ECP are deemed paid under the foregoing provisions of this Section, the Issuing and Paying Agent will, upon the request of the Metropolitan Government, acknowledge the discharge of the Metropolitan Government's obligations under this Resolution and the ECP Program, except for obligations under Article II, or pursuant to paragraph 6 of Section 6.01, in respect of the transfer, exchange, registration, discharge from registration or replacement of ECP.

No such deposit will be made or used in any manner which, in the opinion of Bond Counsel, would cause any ECP to be treated as "arbitrage bonds" within the meaning of Sections 103 and 141 through 150 of the Code.

SECTION 7.02 Application of Trust Moneys. The Issuing and Paying Agent will hold in trust moneys or Government Obligations (as defined in Section 7.01) deposited with it pursuant to Section 7.01 and apply the deposited money and the proceeds from the Government Obligations in accordance with this Resolution only to the payment of principal of and interest on the ECP with respect to which the same was deposited.

SECTION 7.03 Repayment to Metropolitan Government. The Issuing and Paying Agent will pay to the Metropolitan Government promptly upon its request any excess moneys or securities held by the Issuing and Paying Agent at any time under this Article VII, and any moneys held by the Issuing and Paying Agent under any provision of this Resolution for the payment of principal or interest on ECP that remains unclaimed for one year or such other shorter or longer period, or to such other Person, as may at the time be prescribed by State law with respect to unclaimed property.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Additional Actions. The Metropolitan Mayor, The Metropolitan Clerk, the Director of Finance, the Metropolitan Treasurer and the other officers and employees of the Metropolitan Government are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the ECP and otherwise to effectuate the purposes of and carry out the obligations of the Metropolitan Government under the Program Documents. The Metropolitan Mayor and the Metropolitan Clerk are hereby authorized to provide for modifications or amendments to this Resolution to insure that the provisions of this Resolution conform to the terms and provisions of the Dealer Agreement and Issuing and Paying Agency Agreement as executed by the Metropolitan Mayor and Metropolitan Clerk.

SECTION 8.02 Termination of ECP Program. If, as verified by independent determination of the Issuing and Paying Agent, all of the ECP shall no longer be Outstanding and if the Metropolitan Government shall have advised the Issuing and Paying Agent that no additional ECP is to be issued, authenticated and delivered under this Resolution, all balances remaining in the funds and accounts established pursuant hereto shall be transferred to such other funds and/or accounts as an Authorized Officer may determine in writing delivered to the Issuing and Paying Agent.

SECTION 8.03 Notices to Rating Agencies. The Metropolitan Government shall give each Rating Agency, the Dealer and the Issuing and Paying Agent advance notice in writing of any (i) change of Dealer, (ii) change of Issuing and Paying Agent, (iii) amendment or material change to the Program Documents, and (iv) termination or defeasance of the ECP Program; *provided however*, that if the Metropolitan Government does not have advance actual notice of any such event, notice shall be given by the Metropolitan Government as soon as practicable after the Metropolitan Government has actual notice thereof.

SECTION 8.04 Resolution to Constitute a Contract; Equal Security. In consideration of the acceptance of the ECP, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Metropolitan Government and the Holders from time to time of the ECP, and the pledge made by this Resolution by the Metropolitan Government and the covenants and agreements set forth in this Resolution to be performed by the Metropolitan Government shall be for the equal and proportionate benefit, security and protection of all Holders of the ECP, without preference, priority or distinction as to security or otherwise of any of the ECP authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution.

SECTION 8.05 Limitation of Benefits with Respect to this Resolution. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the ECP Program is intended or should be construed to confer upon or give to any Person other than the Metropolitan Government, the Holders of the ECP, the Issuing and Paying Agent and the Dealer any legal or equitable right, remedy or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Metropolitan Government, the Holders of the ECP, the Issuing and Paying Agent and the Dealer as herein and therein provided.

SECTION 8.06 Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions or portions thereof herein contained shall be held by a court of competent jurisdiction contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the ECP issued hereunder.

SECTION 8.07 Payment and Performance on Business Days. Whenever under the terms of this Resolution or the ECP Program, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the ECP, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the ECP, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the originally scheduled date of performance or payment, and, with

respect to any payment, without any additional interest accruing after the originally scheduled date of payment.

SECTION 8.08 No Personal Recourse. No recourse shall be had for any claim based on this Resolution or the ECP Program against any member, officer or employee, past, present or future, of the Metropolitan Government, the Metropolitan County Council of the Metropolitan Government or of any successor body under any constitutional provision, statute or rule of law or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

SECTION 8.09 Disclosure of Liability. All covenants, stipulations, promises, agreements and obligations of the Metropolitan Government contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Metropolitan Government and not of any member, officer or employee of the Metropolitan Government in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the ECP or for any claim based thereon or on this Resolution against any member, officer, or employee of the Metropolitan Government, or against any Person executing the ECP.

SECTION 8.10 Effect of Headings of Sections; Table of Contents. The headings of the sections of this Resolution are for convenience of reference only, and shall not affect the meaning, construction or interpretation of this Resolution.

SECTION 8.11 Effective Date. This Resolution shall take effect from and after its adoption, the welfare of the Metropolitan Government requiring it.

(signature page follows)

RECOMMENDED BY:

SP

Scott Potter
Director of Water and Sewerage Services

APPROVED AS TO AVAILABILITY OF FUNDS BY:

Richard M. Riebeling

Richard M. Riebeling
Director of Finance

APPROVED AS TO FORM AND LEGALITY:

Saul Solomon

Saul Solomon
Director of Law

INTRODUCED BY:

Bill P.

MEMBERS OF COUNCIL