

Resolution No. RS2007-2066

Supplemental Resolution defining the terms of, and authorizing the execution, issuance, sale and payment of, water and sewer revenue refunding bonds in the aggregate principal amount of not to exceed Forty Two Million Dollars (\$42,000,000) of The Metropolitan Government of Nashville and Davidson County (Tennessee).

WHEREAS, The Metropolitan County Council (the "Metropolitan Council") of The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") on November 5, 1985, adopted Substitute Resolution No. R85-762, entitled "Water and Sewer Revenue Bond Resolution" (the "Master Resolution"); on October 7, 1986, adopted Resolution No. R86-1121 entitled "Supplemental Resolution Authorizing the Issuance of the Water and Sewer Revenue Refunding Bonds of 1986 In An Amount Not to Exceed \$350,000,000, And Amending Substitute Resolution No. R85-762" (the "First Amending Resolution"); on October 3, 1989, adopted Resolution No. R89-919 entitled "Fourth Supplemental Resolution With Respect to the Metropolitan Government of Nashville and Davidson County Water and Sewer Variable Rate Demand Revenue Bonds 1985 Series C Ratifying Certain Actions of the Director of Finance, Approving a Remarketing Agreement, Electing to Convert to a Fixed Interest Rate, Approving a Supplemental Remarketing Agreement, Appointing a Paying Agent and Registrar, Approving a Remarketing Circular, Amending Substitute Resolution No. R85-804 and Amending Substitute Resolution No. R85-762" (the "Second Amending Resolution"); on August 4, 1992, adopted Substitute Resolution No. R92-341 entitled "Supplemental Resolution Authorizing the Issuance of Water and Sewer Revenue Bonds, Series 1992 In An Amount Not to Exceed \$175,000,000 and Amending Substitute Resolution No. R85-762" (the "Third Amending Resolution"); and on July 20, 1993, adopted Substitute Resolution No. R93-770 entitled "Supplemental Resolution Authorizing the Issuance of Water and Sewer Revenue Refunding Bonds, Series 1993 in an Amount Not to Exceed \$175,000,000 and Amending Substitute Resolution No. R85-762" (the "Fourth Amending Resolution") (the Master Resolution, as amended by the First Amending Resolution, the Second Amending Resolution, the Third Amending Resolution and the Fourth Amending Resolution, is hereafter referred to as the "General Bond Resolution"); and

WHEREAS, the Metropolitan Government currently has outstanding under the General Bond Resolution its Water and Sewer Revenue Refunding Bonds of 1986, authorized by the First Amending Resolution; its Water and Sewer Revenue Refunding Bonds, Series 1993, authorized by the Fourth Amending Resolution; its Water and Sewer Revenue Refunding Bonds, Series 1996, authorized by Substitution Resolution No. R96-242, adopted by the Metropolitan Council on April 16, 1996; its Water and Sewer Revenue Refunding Bonds, Series 1998A, authorized by Substitute Resolution No. R98-1004, adopted by the Metropolitan Council on January 20, 1998; its Water and Sewer Revenue Bonds, Series 1998B, authorized by Substitute Resolution No. R98-1018, adopted by the Metropolitan Council on February 3, 1998; and its Water and Sewer Revenue Refunding Bonds, Series 2002, authorized by Resolution No. RS2002-1211 adopted by

the Metropolitan Council on October 15, 2002 (collectively, the “Outstanding Water and Sewer Bonds”); and

WHEREAS, the Metropolitan Council desires to authorize the issuance, sale and delivery of water and sewer revenue refunding bonds under the General Bond Resolution, on a parity of lien with the Outstanding Water and Sewer Revenue Bonds, for the purpose of providing funds to refund a portion of the Outstanding Water and Sewer Bonds as more fully set forth herein; and

WHEREAS, it is the Metropolitan Council’s best judgment that refunding a portion of the Outstanding Water and Sewer Bonds as more fully set forth herein will reduce interest expense to the Metropolitan Government; and

WHEREAS, the Metropolitan Council is authorized by the provisions of Title 9, Chapter 21 and Title 7, Chapter 34, Tennessee Code Annotated, as amended, and by the Charter of the Metropolitan Government, as amended, to issue bonds for this purpose; and

WHEREAS, the Metropolitan Council has determined that the Metropolitan Government has satisfied the conditions precedent to the issuance of additional bonds under the General Bond Resolution; and

WHEREAS, it is now, therefore, necessary and desirable to define the terms of, and authorize the execution, issuance, sale and payment of, these water and sewer revenue refunding bonds in the aggregate principal amount of not to exceed \$42,000,000.

NOW, THEREFORE, BE IT RESOLVED BY THE METROPOLITAN COUNTY COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, AS FOLLOWS:

ARTICLE I
AUTHORITY AND DEFINITIONS

1.01 Supplemental Resolution. This Resolution is supplemental to the General Bond Resolution.

1.02 Authority for this Resolution. This Resolution is adopted and the Series 2007 Bonds are issued pursuant to and in accordance with (i) Section 7.07 of the Charter of the Metropolitan Government, (ii) the Constitution and laws of the State of Tennessee, including particularly, Title 7, Chapter 34 and Title 9, Chapter 21, Tennessee Code Annotated, as amended (collectively, the "Act"), (iii) the General Bond Resolution, and (iv) this Resolution.

1.03 Definitions. Except as provided by this Resolution, all terms which are defined in Section 1.1 of the General Bond Resolution shall have the same meanings, respectively, in this Resolution as such terms are given in said Section 1.1 of the General Bond Resolution. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Award Resolution" means the resolution to be hereafter adopted by the Metropolitan Council, which will, among other things, award the Series 2007 Bonds and establish the interest rates thereon.

"Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical bond certificates in fully registered form are issued to a Depository, or to its nominee as registered owner, with the certificate of bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the Metropolitan Government or the Registrar, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those bonds;

"Code" means the Internal Revenue Code of 1986, as amended;

"Depository" means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC;

"Director of Finance" means the Director of Finance appointed pursuant to the provisions of the Charter or, in the absence of such appointment, the person appointed by the Metropolitan Mayor to undertake the duties otherwise performed by the Director of Finance, or his designee;

"DTC" means the Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns;

"DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC System;

"Escrow Agent" means Deutsche Bank National Trust Company, as Escrow Agent under the Escrow Agreement, or its successor or successors under the terms of the Escrow Agreement;

"Escrow Agreement" means the document described in Section 6.01 hereof, the form of which is attached hereto as Exhibit B;

"Financial Advisor" means Public Financial Management, Inc.;

"General Bond Resolution" shall mean Substitute Resolution No. R85-762 adopted by the Metropolitan Council on November 5, 1985, as amended by Resolution No. R86-1121 adopted on October 7, 1986, by Resolution No. R89-919 adopted on October 3, 1989, by Substitute Resolution No. R92-341 adopted on August 4, 1992, and by Substitute Resolution No. R93-770 adopted on July 20, 1993;

"Metropolitan Treasurer" means the Metropolitan Treasurer appointed pursuant to the provisions of the Charter or, in the absence of such appointment,

the person appointed by the Metropolitan Mayor to undertake the duties otherwise performed by the Metropolitan Treasurer, or his designee;

"Official Statement" and "Preliminary Official Statement" mean the Official Statement and Preliminary Official Statement described in Section 5.02 hereof pertaining to the sale of the Series 2007 Bonds;

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, or a governmental entity or agency or political subdivision thereof;

"Resolution" means this "Supplemental Resolution defining the terms of, and authorizing the execution, issuance, sale and payment of, water and sewer revenue refunding bonds in the aggregate principal amount of not to exceed Forty Two Million Dollars \$42,000,000 of The Metropolitan Government of Nashville and Davidson County (Tennessee)";

"Refunded Bonds" means the Series 1986 Bonds and the Series 1996 Bonds;

"Series 1986 Bonds" means that portion of the Metropolitan Government's outstanding Water and Sewer Revenue Refunding Bonds of 1986, dated October 1, 1986, maturing January 1, 2016, designated by the Director of Finance, in consultation with the Financial Advisor, that, alone or with other refunded bonds, achieve the cost savings objectives of the Metropolitan Government;

"Series 1996 Bonds" means those maturities of the Metropolitan Government's outstanding Water and Sewer Revenue Refunding Bonds, Series 1996, dated May 15, 1996, designated by the Director of Finance, in consultation with the Financial Advisor, that, alone or with other refunded bonds, achieve the cost savings objectives of the Metropolitan Government;

"Series 2007 Bonds" means not to exceed \$42,000,000 in aggregate principal amount of Water and Sewer Revenue Refunding Bonds, to be issued in one or more series pursuant to Section 5.01 hereof, the first series of which shall be designated "Series 2007" and be dated their delivery date, or bear such other series designation or be dated such other date as shall be determined pursuant to Section 5.01 hereof, authorized and issued under the General Bond Resolution and this Resolution; and

"Trustee" means the Trustee for the Series 2007 Bonds as designated pursuant to Section 5.06 below.

ARTICLE II FINDINGS

The Metropolitan Council hereby finds and determines that the refunding of the Refunded Bonds as set forth herein through the issuance of the Series 2007 Bonds will result in the reduction in debt service payable by the Metropolitan Government over the term of the Refunded Bonds thereby effecting a cost savings to the public. The Metropolitan Council hereby further finds and determines that it is advantageous to the Metropolitan Government to deposit a portion of the proceeds from the sale of the Bonds and other funds of the Metropolitan Government, if any, with the Escrow Agent pursuant to the Escrow Agreement which, together with investment income thereon, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds.

ARTICLE III AUTHORIZATION OF SERIES 2007 BONDS

3.01 Principal Amount, Designation and Series. Pursuant to the provisions of the General Bond Resolution, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in an aggregate principal amount not exceeding \$42,000,000.

3.02 Purpose. The Series 2007 Bonds shall be issued for the purpose of providing funds, together with other legally available funds of the Metropolitan Government needed for such purpose, to pay principal of and premium, if any, and interest on the Refunded Bonds to maturity or the earliest optional redemption date thereof (as determined pursuant to Section 5.03(b) below) and to pay the costs of issuance and sale of the Series 2007 Bonds.

3.03 Form of Series 2007 Bonds; Execution.

(a) The Series 2007 Bonds are issuable only as fully registered, book-entry bonds, without coupons, in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof (but no single Bond shall represent installments of principal maturing on more than one date). All Series 2007 Bonds issued under the Resolution shall be substantially in the form set forth in Exhibit A attached hereto, and by this reference incorporated herein as fully as though copied, with such appropriate variations, omissions, and insertions as are permitted or required by the Resolution, the blanks therein to be appropriately completed when the Series 2007 Bonds are prepared, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto or as otherwise desired by the Metropolitan Government.

(b) The Series 2007 Bonds shall be executed in such manner as may be prescribed by applicable law in the name, and on behalf of, the Metropolitan Government with the manual or facsimile signature of the Metropolitan Mayor, attested by the manual or facsimile signature of the Metropolitan Clerk, and approved as to form and legality by the Deputy Director of Law acting as Director by her manual or facsimile signature.

(c) In the event any officer whose manual or facsimile signature shall appear on any Series 2007 Bond shall cease to be such officer before the delivery of such Series 2007 Bond, such manual or such facsimile signature shall nevertheless be valid and sufficient for all

purposes as if he or she had remained in office until such delivery. Any Series 2007 Bond may bear the facsimile signature of, or may be manually signed by, such individuals who, at the actual time of the execution of such Series 2007 Bond, were the proper officers of the Metropolitan Government to sign such Series 2007 Bond, although on the date of the adoption by the Metropolitan Government of this Resolution, such individuals may not have been such officers.

3.04 Maturities, Interest Rates, and Certain Other Provisions of Series 2007 Bonds.

(a) The Series 2007 Bonds shall be designated "Water and Sewer Revenue Refunding Bonds, Series 2007", or such other designation as shall be determined pursuant to Section 5.01 hereof. Each Series 2007 Bond shall be dated its delivery date, or other date as shall be established pursuant to Section 5.01 hereof. The Series 2007 Bonds shall bear interest from the date thereof at a rate or rates not exceeding five and one-half percent (5.50%) per annum, such interest being payable semi-annually on the first day of January and July of each year, commencing on January 1, 2008. Subject to adjustments permitted in Section 5.01 hereof, the Series 2007 Bonds shall mature either serially or through mandatory redemption, commencing on the first day of January, 2008, and continuing on the first day of January of each year thereafter through and including January 1, 2016, the final maturity date, in such amounts as shall be established in the Award Resolution.

(b) The Series 2007 Bonds shall be payable, principal, premium, if any, and interest, in lawful money of the United States of America at the principal corporate trust office of the Paying Agent. The Paying Agent shall make all interest payments with respect to the Series 2007 Bonds on each interest payment date directly to the registered owners as shown on the bond registration records maintained by the Registrar as of the close of business on the day which is fifteen days preceding an interest payment date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said registration records, without, except for final payment, the presentation or surrender of such registered Series 2007 Bonds, and all such payments shall discharge the obligations of the Metropolitan Government in respect of such Series 2007 Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Series 2007 Bonds shall be made upon presentation and surrender of such Series 2007 Bonds to the Registrar as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each. In the event the Series 2007 Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the owner of at least \$1,000,000 in aggregate principal amount of the Series 2007 Bonds, payment of interest on such Series 2007 Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with Paying Agent and written notice of any such election and designated account is given to the Paying Agent prior to the record date.

(c) Any interest on any Series 2007 Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Metropolitan Government to the persons in whose names the Series 2007 Bonds are registered at the close of

business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Metropolitan Government shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series 2007 Bond and the date of the proposed payment, and at the same time the Metropolitan Government shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) days after the receipt by the Paying Agent of the notice of the proposed payment, the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Paying Agent shall promptly notify the Metropolitan Government of such Special Record Date and, in the name and at the expense of the Metropolitan Government, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the bond registration records maintained by the Registrar as of the date of such notice. Nothing contained in this Section or in the Series 2007 Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Metropolitan Government to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Series 2007 Bonds when due.

3.05 Negotiability of Series 2007 Bonds. All Series 2007 Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration and transfer contained in this Resolution and in the Series 2007 Bonds.

3.06 Registration, Transfer and Exchange of Series 2007 Bonds.

(a) The Series 2007 Bonds are transferable only by presentation to the Registrar by the registered owner, or his legal representative duly authorized in writing, of the registered Series 2007 Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series 2007 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series 2007 Bond(s) in such form and with such documentation, if any, the Registrar shall issue a new Series 2007 Bond or Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registrar shall not be required to transfer or exchange any Series 2007 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2007 Bond, nor to transfer or exchange any Series 2007 Bond after the publication of notice calling such Series 2007 Bond for redemption has been made, nor to transfer or exchange any Series 2007 Bond during the period following the receipt of instructions from the Metropolitan Government to call such Series 2007 Bond for redemption; provided, the Registrar, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series 2007 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer.

The person in whose name any Series 2007 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Metropolitan Government nor the Registrar shall be affected by any notice to the contrary whether or not any payments due on the Series 2007 Bonds shall be overdue. Series 2007 Bonds, upon surrender to the Registrar, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Series 2007 Bonds of the same maturity in any authorized denomination or denominations.

(b) Except as otherwise provided in this subsection, the Series 2007 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2007 Bonds. References in this Section to a Series 2007 Bond or the Series 2007 Bonds shall be construed to mean the Series 2007 Bond or the Series 2007 Bonds that are held under the Book-Entry System. One Series 2007 Bond for each maturity shall be issued to DTC and immobilized in its custody. Unless otherwise provided herein, a Book-Entry System shall be employed, evidencing ownership of the Series 2007 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series 2007 Bonds. Beneficial ownership interests in the Series 2007 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are herein referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series 2007 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series 2007 Bonds. Transfers of ownership interests in the Series 2007 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2007 BONDS, THE REGISTRAR SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES 2007 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2007 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE REGISTRAR TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS BOND RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series 2007 Bonds, so long as DTC is the only owner of the Series 2007 Bonds, shall be paid by the Registrar directly to DTC or its nominee, Cede & Co., as provided in the DTC Letter of Representation executed by the Metropolitan Government as of April 27, 1995. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. Neither the Metropolitan Government nor the Paying Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as securities depository for the Series 2007 Bonds or (2) the Metropolitan Government determines that the continuation of the Book-Entry System of evidence and transfer of ownership of the Series 2007 Bonds would

adversely affect their interests or the interests of the Beneficial Owners of the Series 2007 Bonds, the Metropolitan Government may discontinue the Book-Entry System with DTC. If the Metropolitan Government fails to identify another qualified securities depository to replace DTC, the Metropolitan Government shall cause the Registrar to authenticate and deliver replacement Series 2007 Bonds in the form of fully registered Series 2007 Bonds to each Beneficial Owner.

NEITHER THE METROPOLITAN GOVERNMENT NOR THE REGISTRAR NOR THE PAYING AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES 2007 BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2007 BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS BOND RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS, (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2007 BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

SO LONG AS A BOOK-ENTRY SYSTEM OF EVIDENCE OF TRANSFER OF OWNERSHIP OF ALL THE SERIES 2007 BONDS IS MAINTAINED IN ACCORDANCE HEREWITH, THE PROVISIONS OF THIS RESOLUTION RELATING TO THE DELIVERY OF PHYSICAL BOND CERTIFICATES SHALL BE DEEMED INAPPLICABLE OR BE OTHERWISE SO CONSTRUED AS TO GIVE FULL EFFECT TO SUCH BOOK-ENTRY SYSTEM. IF THE PROVISIONS OF THE LETTER OF REPRESENTATION SHALL BE IN CONFLICT WITH THE PROVISIONS OF THIS RESOLUTION AS SAID PROVISIONS RELATE TO DTC, THE PROVISIONS OF THE LETTER OF REPRESENTATION SHALL CONTROL.

3.07 Mutilated, Lost, Stolen, or Destroyed Series 2007 Bonds.

(a) In the event any Series 2007 Bond is mutilated, lost, stolen, or destroyed, the Metropolitan Government may execute, and upon the request of an Authorized Officer of the Metropolitan Government the Registrar shall authenticate and deliver, a new Series 2007 Bond of like maturity, interest rate, and principal amount, and bearing the same number (but with appropriate designation indicating that such new Series 2007 Bond is a replacement Series 2007 Bond) as the mutilated, destroyed, lost, or stolen Series 2007 Bond, in exchange for the mutilated Series 2007 Bond or in substitution for the Series 2007 Bond so destroyed, lost, or stolen. In every case of exchange or substitution, the Series 2007 Bondholder shall furnish to the Metropolitan Government and the Registrar: (1) such security or indemnity as may be required by them to save each of them harmless from all risks, however remote; and, (2) evidence to their satisfaction of the mutilation, destruction, loss, or theft of the subject Series 2007 Bond and the ownership thereof. Upon the issuance of any Series 2007 Bond upon such exchange or substitution, the Metropolitan Government and the Registrar may require the owner thereof to

pay a sum sufficient to defray any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including printing costs and counsel fees, of the Metropolitan Government and the Registrar. In the event any Series 2007 Bond which has matured or is about to mature shall become mutilated or be destroyed, lost, or stolen, the Metropolitan Government may, instead of issuing a Series 2007 Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Series 2007 Bond) if the owner thereof shall pay all costs and expenses, including attorneys fees, incurred by the Metropolitan Government and the Registrar in connection herewith, as well as a sum sufficient to defray any tax or other governmental charge that may be imposed in relation thereto and shall furnish to the Metropolitan Government and the Registrar such security or indemnity as they may require to save them harmless and evidence to the satisfaction of the Metropolitan Government and the Registrar the mutilation, destruction, loss, or theft of such Series 2007 Bond and of the ownership thereof.

(b) Every Series 2007 Bond issued pursuant to the provisions of this section shall constitute an additional contractual obligation of the Metropolitan Government (whether or not the destroyed, lost, or stolen Series 2007 Bond shall be found at any time to be enforceable) and shall be entitled to all the benefits of the General Bond Resolution and this Resolution equally and proportionately with any and all other bonds duly issued under the General Bond Resolution and this Resolution.

(c) All Series 2007 Bonds shall be held and owned upon the express condition that the provisions of this Section are exclusive, with respect to the replacement or payment of mutilated, destroyed, lost, or stolen Series 2007 Bonds, and, to the maximum extent legally permissible, shall preclude all other rights or remedies, notwithstanding any law or statute now existing or hereafter enacted to the contrary.

3.08 Authentication. The Registrar is hereby authorized to authenticate and deliver the Series 2007 Bonds to the purchaser thereof or as it may designate upon receipt by the Metropolitan Government of the proceeds of the sale thereof, to authenticate and deliver Series 2007 Bonds in exchange for Series 2007 Bonds of the same principal amount delivered for transfer upon receipt of the Series 2007 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series 2007 Bonds shall not be valid for any purpose unless authenticated by the Registrar by the manual signature of an officer thereof on the certificate set forth herein on the Series 2007 Bond form.

3.09 Qualification for DTC. The Registrar is hereby authorized to take such actions as may be necessary from time to time to qualify and maintain the Series 2007 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2007 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2007 Bonds and provision of notices with respect to Series 2007 Bonds registered by the DTC (or any of its designees identified to the Registrar) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with DTC may adversely affect the interest of any of the Owners of the Series 2007 Bonds, provided, however, that the Registrar shall not be liable with respect to any such arrangements it may make pursuant to this section.

ARTICLE IV
REDEMPTION OF SERIES 2007 BONDS PRIOR TO MATURITY

4.01 Redemption Dates and Prices.

(a) Except as otherwise provided below, the Series 2007 Bonds shall not be subject to redemption prior to maturity.

(b) The Series 2007 Bonds may be sold, in whole or part, as term bonds with mandatory redemption requirements. In the event any or all the Series 2007 Bonds are sold as term bonds, the Metropolitan Government shall redeem term Series 2007 Bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the amounts established in the Award Resolution for each redemption date at a price of par plus accrued interest thereon to the date of redemption. The interest of each Participant in the term Series 2007 Bonds to be so redeemed shall be selected by DTC, or such Person as shall then be serving as the securities depository for the Series 2007 Bonds, using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Series 2007 Bonds, the term Series 2007 Bonds to be so redeemed shall be selected by the Registrar by lot or such other random manner as the Registrar in its discretion shall select.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Metropolitan Government may (i) deliver to the Registration Agent for cancellation Series 2007 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2007 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2007 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Metropolitan Government on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2007 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Metropolitan Government shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

4.02 Notice of Redemption and Payment of Redeemed Series 2007 Bonds. Notice of redemption shall be given in accordance with Section 6.5 of the General Bond Resolution and payment for redeemed Series 2007 Bonds shall be made in accordance with Section 6.6 of the General Bond Resolution.

ARTICLE V
SALE OF SERIES 2007 BONDS AND APPLICATION OF PROCEEDS

5.01 Sale of Series 2007 Bonds.

(a) The Series 2007 Bonds shall be sold at competitive sale at a price of not less than ninety-nine percent (99%) of par less any original issue discount on the Series 2007 Bonds, plus accrued interest. The Metropolitan Mayor and the Director of Finance, or either of them, in consultation with the Financial Advisor, are authorized to make such changes in the structuring of the terms of the Series 2007 Bonds as they shall deem necessary to maximize the savings from the refunding of the Refunded Bonds. In this regard, they, or either of them, in consultation with the Financial Advisor, are authorized to cause to be offered for sale an aggregate principal amount of the Series 2007 Bonds less than that authorized herein, to select the Refunded Bonds to be refunded, to sell any or all of the Series 2007 Bonds as term bonds with annual mandatory redemption requirements, to change the dated date to a date other than the date of issuance, and to adjust principal and interest payment dates and redemption terms and dates of the Series 2007 Bonds (but in no event shall any emission of Bonds mature later than January 1, 2016 and in no event shall any redemption premium exceed two percent (2%) of the par amount of Series 2007 Bonds being redeemed). The Series 2007 Bonds shall be awarded by the Metropolitan Council pursuant to an Award Resolution. The form of the Series 2007 Bond set forth in Exhibit A attached hereto shall be conformed to reflect any changes, if any, as hereinbefore mentioned.

(b) The Metropolitan Clerk shall cause notice of the sale of the Series 2007 Bonds to be published once, not less than five (5) calendar days prior to the date of sale, in the manner required by the Act. The sale may be by physical delivery of bids or by electronic bidding by means of an Internet bidding service as shall be determined by the Director of Finance.

(c) The Metropolitan Mayor, the Director of Finance, the Metropolitan Clerk, the Director of Law or Deputy Director of Law acting as Director, or any of them, are authorized to cause the Series 2007 Bonds to be authenticated and delivered by the Registration Agent to the purchaser thereof and to execute, publish, and deliver all certificates and documents, including the purchaser thereof, and closing certificates and documents, as they shall deem necessary in connection with the sale and delivery of the Series 2007 Bonds.

(d) The Director of Finance shall cause, if advantageous to the Metropolitan Government, all or a portion of the Series 2007 Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company. To that end, the Metropolitan Mayor, the Director of Finance, the Metropolitan Clerk, the Director of Law or Deputy Director of Law acting as Director, or any of them, are authorized to deliver such certificates and enter such agreements (provided such agreements are not inconsistent with this Resolution) as may be required by such bond insurance company.

5.02 Official Statement. The Metropolitan Mayor and Director of Finance are hereby authorized and directed to provide for the preparation and distribution, which may include electronic distribution, of a Preliminary Official Statement describing the Series 2007 Bonds in

the form of the Preliminary Official Statement attached hereto as Exhibit C and by this reference made a part hereof (the "Preliminary Official Statement"), with such completions, omissions, insertions and changes as shall be necessary. After the Series 2007 Bonds have been sold, the Metropolitan Mayor and Director of Finance shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The Metropolitan Mayor and Director of Finance shall arrange for the delivery to the successful bidder on the Series 2007 Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series 2007 Bonds have been sold for delivery to each potential investor requesting a copy of the Official Statement.

The Metropolitan Mayor and Director of Finance are authorized, on behalf of the Metropolitan Government, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by the Metropolitan Government except for the omission in the Preliminary Official Statement of such pricing and other information.

5.03 Disposition of Bond Proceeds. The proceeds of the sale of the Series 2007 Bonds shall be disbursed as follows:

(a) An amount representing pre-issuance accrued interest, if any, on the Series 2007 Bonds from the dated date to the closing date shall be deposited to the Debt Service Fund established by and maintained pursuant to Section 5.5 of the General Bond Resolution to be used to pay interest on the Series 2007 Bonds on the first interest payment date following delivery of the Series 2007 Bonds.

(b) An amount which, together with other legally available funds of the Metropolitan Government, if any, and investment earnings thereon and on said Series 2007 Bond proceeds, will be sufficient to pay principal of and premium and interest on the Refunded Bonds within 90 days of the issuance of the Series 2007 Bonds shall be transferred to the Escrow Agent under the Escrow Agreement to be deposited to the escrow fund established thereunder to be held and applied as provided therein.

(c) The remaining proceeds of the sale of the Series 2007 Bonds shall be used to pay the costs of issuance and sale of the Series 2007 Bonds including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Series 2007 Bonds. Such proceeds may also be used to make any yield reduction payment required by Section 1.148-5(c) of the Treasury Regulations promulgated under the Code, resulting from the refunding of the Refunded Bonds. Any funds remaining after payment of said expenses shall be used to pay interest on the Series 2007 Bonds on the first interest payment date following delivery of the Series 2007 Bonds.

5.04 Maintenance and Transfer of Funds. Upon the delivery of the Series 2007 Bonds and application of the proceeds thereof as herein provided, monies, securities and other obligations held in the various funds and accounts established pursuant to the General Bond Resolution shall be retained therein or transferred to the Escrow Agent, as permitted by the General Bond Resolution and as directed by the Metropolitan Mayor and the Director of Finance, or either of them. The Metropolitan Mayor and Director of Finance, or either of them, are authorized to make such determination with respect to the disposition of the funds and accounts established pursuant the General Bond Resolution.

5.05 Tax Certification. The Metropolitan Government recognizes that the purchasers and owners of the Series 2007 Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon is excludable from gross income for purposes of federal income taxation under laws in force on the date of delivery of the Series 2007 Bonds. In this connection, the Metropolitan Government agrees that it shall take no action which may cause the interest on any of said Series 2007 Bonds to be included in gross income for purposes of federal income taxation. It is the reasonable expectation of the Metropolitan Council that the proceeds of the Series 2007 Bonds will not be used in a manner which will cause the Series 2007 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series 2007 Bonds and other related funds established for the purposes herein set out shall be used and spent expeditiously for the purposes described herein. The Metropolitan Council further covenants and represents that in the event it shall be required by Section 148(f) of the Code to pay any investment proceeds of the Series 2007 Bonds to the United States government, it will make such payments as and when required by said Section 148(f) and will take such other actions as shall be necessary or permitted to prevent the interest on the Series 2007 Bonds from being included in gross income for federal income tax purposes. The Metropolitan Mayor, the Metropolitan Clerk and the Director of Finance, or any of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Series 2007 Bonds as either or both shall deem appropriate, and such certifications shall constitute a representation and certification of the Metropolitan Government.

5.06 Appointment of Trustee, Paying Agent and Registrar. The Trustee for the Series 2007 Bonds shall be Deutsche Bank National Trust Company who will also act as Paying Agent and Registrar with respect to the Series 2007 Bonds, or any successor appointed by the Director of Finance.

5.07 Substitution of Reserve Fund Credit Facility for Debt Service Reserve Fund Cash Deposits. The Mayor and the Director of Finance are hereby authorized to cause a Debt Service Reserve Fund Credit Facility to be purchased in substitution of the amounts currently on deposit in the Debt Service Reserve Fund for the Outstanding Water and Sewer Revenue Bonds. Such substitution shall only be made if the Mayor and the Director of Finance believe it to be in the best interest of the System to do so, and in any event pursuant to a request for proposals process conducted in consultation with the Financial Advisor. The purchase price of any such Reserve Fund Credit Facility shall be paid from amounts currently on deposit in the Debt Service Reserve Fund. The Mayor and the Director of Finance are hereby authorized to enter into such agreements, and execute and deliver such certificates, as may be required by the insurance company or financial institution providing such Reserve Fund Credit Facility; provided that such agreements are not inconsistent with the terms of this resolution. Any amounts released from the

Debt Service Reserve Fund shall be applied either to capital costs of improving the System or to the refunding of the Outstanding Water and Sewer Revenue Bonds, and the Mayor and the Director of Finance shall consult with bond counsel regarding such application.

ARTICLE VI ESCROW AGREEMENT AND NOTICE OF REFUNDING

6.01 Authorization of Escrow Agreement. For the purpose of providing for the payment of the principal of and premium and interest on the Refunded Bonds, there is hereby authorized to be executed and delivered on behalf of the Metropolitan Government a Refunding Escrow Agreement with the Escrow Agent and to be deposited with the Escrow Agent the amount described in Section 5.03(b) hereof to be used by the Escrow Agent to purchase the investments provided therein; provided, however, that the yield on such investments shall be determined in such manner that none of the Series 2007 Bonds will be an "arbitrage bond" within the meaning of Section 148(a) of the Code. The form of Escrow Agreement presented to this meeting and attached hereto as Exhibit B is hereby in all respects approved, and the Metropolitan Mayor or Director of Finance is hereby authorized to execute and the Metropolitan Clerk to attest the Escrow Agreement on behalf of the Metropolitan Government in substantially the form thereof, with such changes as may be approved by the Metropolitan Mayor or Director of Finance, including the inclusion of directions as to investment and reinvestment of funds or directions to enter into such investment contracts as shall be advantageous to the Metropolitan Government, the execution thereof by either of them to constitute conclusive evidence of the approval of all such changes; provided the Agreement shall be approved as to form and legality by the Director of Law or Deputy Director of Law acting as Director. The Escrow Agent is hereby authorized and directed to hold and administer all funds deposited in trust for the payment when due of principal of and premium and interest on the Refunded Bonds and to exercise such duties as set forth in the Escrow Agreement.

6.02 Notice of Refunding. At or prior to the issuance of the Series 2007 Bonds, notice of the Metropolitan Government's intention to refund the Refunded Bonds shall be given, at the direction of the Director of Finance, by the Trustee(s) for the Refunded Bonds, as and to the extent required by the Act and Section 12.1 of the General Bond Resolution. Such notice shall be delivered in the manner and in the form required by the Act and Section 12.1 of the General Bond Resolution.

ARTICLE VII MISCELLANEOUS

7.01 Further Action. The Metropolitan Mayor, the Vice Mayor, the Director of Finance, the Treasurer, and any other proper official of the Metropolitan Government acting singly, be and each of them hereby is authorized and directed, without any further approval or ratification by the Metropolitan Council, to execute and to deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the General Bond Resolution, this Resolution and the Preliminary Official Statement and the final Official Statement approved in Section 5.02 hereof.

7.02 General Bond Resolution to Remain in Effect. The General Bond Resolution, as heretofore supplemented and amended and as supplemented herein, shall remain in full force and effect.

7.03 Continuing Disclosure. The Metropolitan Government hereby covenants and agrees that it will provide financial information and material event notices as required by Rule 15c2-12 of the Securities Exchange Commission for the Series 2007 Bonds. The Mayor is authorized to execute at the closing of the sale of the Series 2007 Bonds, an agreement for the benefit of and enforceable by the owners of the Series 2007 Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of the Metropolitan Government to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Series 2007 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the Metropolitan Government to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

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

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