

ORDINANCE NO. 2015-21

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER ENTERPRISE REVENUE REFUNDING BONDS, SERIES 2015, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,200,000, PAYABLE SOLELY OUT OF THE NET PLEDGED REVENUES TO BE DERIVED FROM THE OPERATION OF THE TOWN'S WATER AND SEWER ENTERPRISE; PROVIDING OTHER DETAILS CONCERNING THE BONDS, INCLUDING, WITHOUT LIMITATION, COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING OTHER MATTERS RELATING THERETO; AND PROVIDING FOR ITS EMERGENCY ADOPTION ON SECOND AND FINAL READING.

WHEREAS, the Town of Castle Rock, in the County of Douglas and State of Colorado (the "Town") is a municipal corporation duly organized and existing under the laws of the State of Colorado and in particular under the provisions of Article XX of the Constitution of the State of Colorado and the Town's Home Rule Charter (the "Charter"); and

WHEREAS, the members of the Town Council (the "Council") have been duly elected or appointed and qualified; and

WHEREAS, the Town now owns and operates a municipal water system and a municipal sanitary sewer system (together, the "System"); and

WHEREAS, by Ordinance Nos. 2000-25 and 2000-26 heretofore adopted, the Council has determined that the water and sanitary sewer components of the System, respectively, each constitutes an enterprise pursuant to Article X, Section 20 of the Colorado Constitution; and

WHEREAS, pursuant to Ordinance No. 2006-52 of Town finally adopted and approved by the Council on November 28, 2006 (the "2006 Bond Ordinance") the Town has heretofore issued its Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Bonds, Series 2006 in the aggregate principal amount of \$9,665,000 and currently outstanding in the aggregate principal amount of \$6,725,000 (the "2006 Bonds"); and

WHEREAS, the 2006 Bonds maturing on and after December 1, 2017, are subject to redemption prior to maturity, at the option of the Town, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2016, or on any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date without a redemption premium; and

WHEREAS, the Council has determined, and hereby determines, that it is necessary and in the best interest of the Town and its inhabitants that the Town refund all of the outstanding 2006 Bonds maturing on and after December 1, 2017 (the "Refunded Bonds"); and

WHEREAS, the 2006 Bonds and the Town's Water and Sewer Enterprise Revenue Refunding Bonds, Series 2012 (the "2012 Bonds") are each secured by a pledge of the Net Pledged Revenues of the System; and

WHEREAS, the Town intends to issue its "Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015" (the "Bonds") to defray the cost of refunding the Refunded Bonds (the "Refunding Project"); and

WHEREAS, the Town is not delinquent in the payment of any principal or interest requirements under the 2006 Bonds or the 2012 Bonds; and

WHEREAS, except for certain development agreements herein described under the definition of Operation and Maintenance Expenses in Section 102 hereof, the 2006 Bonds, and the 2012 Bonds, the Town has never pledged nor in any way hypothecated revenues derived and to be derived directly or indirectly from the operation of the System to the payment of any securities or for any other purpose (excluding securities which have heretofore been redeemed in full, as to all principal, premium, if any, and interest, or are otherwise not outstanding) and with the result that the Net Pledged Revenues may now be pledged lawfully and irrevocably for the payment of the Bonds on a parity with the 2006 Bonds and the 2012 Bonds, and they may be made payable from the Net Pledged Revenues; and

WHEREAS, the Town intends to negotiate a proposal with Stifel Nicolaus & Company Incorporated concerning the purchase of the Bonds; and

WHEREAS, pursuant to Article X, Section 20 of the Colorado Constitution, the Bonds may be issued without voter approval since the System constitutes an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution; and

WHEREAS, the Town is authorized by Article X, Section 20 of the Colorado Constitution, and Section 10-5 of the Charter to issue the refunding bonds without an election; and

WHEREAS, the Town deems it necessary and advisable to issue the Bonds, as herein provided, to provide funds to finance the Refunding Project; and

WHEREAS, pursuant to Section 11-57-203, Colorado Revised Statutes, as amended, the Town desires to delegate to the Mayor, Town Manager or the Finance Director the power to independently make any of the determinations provided by the Supplemental Public Securities Act (as hereafter defined) subject to the parameters set forth herein; and

WHEREAS, the Council has determined and does hereby declare:

A. The refunding of the Refunded Bonds is necessary in order to take advantage of the current favorable conditions in the municipal bond market, the continuation of which cannot be predicted, and such refunding will result in a reduction in the debt service costs of the Town after taking into account the costs of the Refunding Project;

B. The Bonds shall be issued for the Refunding Project;

C. Net Pledged Revenues shall be pledged to the payment of the Bonds on a parity with the 2006 Bonds and the 2012 Bonds;

D. Because of market conditions, the Bonds shall be sold by negotiated sale to Stifel Nicolaus & Company Incorporated in accordance with its proposal, and that such sale is to the best advantage of the Town; and

E. All action preliminary to the authorization of the issuance of the Bonds has been taken.

WHEREAS, there are on file with the Town Clerk the forms of the following documents: (i) the form of the Paying Agent Agreement; (ii) the form of a Preliminary Official Statement; (iii) the form of the Escrow Agreement and (iv) the form of the Continuing Disclosure Certificate; and

WHEREAS, it is necessary to provide for the form of the Bonds, the Bond details, the payment of the Bonds, and other provisions relating to the authorization, issuance, and sale of the Bonds.

NOW, THEREFORE, IT IS ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF CASTLE ROCK, COLORADO:

ARTICLE I

DEFINITIONS, INTERPRETATION,
RATIFICATION AND EFFECTIVE DATE

Section 101. Short Title. This Ordinance shall be known as and may be cited by the short title “2015 Bond Ordinance” (the “Ordinance”).

Section 102. Meanings and Construction.

A. Definitions. The terms in this Section for all purposes of this Ordinance and of any ordinance amendatory hereof or supplemental hereto, or relating hereto, and of any other ordinance or any other document pertaining hereto, except where the context by clear implication otherwise requires, shall have the meanings herein specified:

“Balloon Bonds” means any securities payable from Net Pledged Revenues 25% or more of the original principal amount of which matures during any consecutive twelve month period if such maturing principal amount is not required to be amortized by mandatory redemption or prepayment prior to such period and if such twelve month period overlaps the Fiscal Year in which the Combined Maximum Annual Principal and Interest Requirements occur (without regard to the assumptions contained in clause (c) of the definition of Combined Maximum Annual Principal and Interest Requirements).

“Bond Counsel” means an attorney or a firm of attorneys, designated by the Town and satisfactory to the Paying Agent of nationally recognized standing in matters pertaining to the tax status of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Fund” means the special account designated as the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015 Bond Fund” created pursuant to Section 605 hereof.

“Bond Requirements” means the principal of, any prior redemption premiums due in connection with, and the interest on any Bonds or other securities payable from the Net Pledged Revenues and heretofore or hereafter issued, if any, or such part of such securities as may be designated.

“Bonds” means those securities issued hereunder and designated as the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015.”

“Book-entry system” means, with respect to the Bonds, a form or system, as applicable, under which physical Bond certificates in fully registered form are registered only in the name of The Depository Trust Company or its nominee as Owner, with the physical Bond certificates “immobilized” in the custody of The Depository Trust Company. The book-entry system maintained by and the responsibility of The Depository Trust Company and not

maintained by or the responsibility of the Town or the Paying Agent is the record that identifies, and records the transfer of the interests of, the owners of book-entry interests in the Bonds.

“Business Day” means a day of the year, other than a Saturday or Sunday, other than a day on which commercial banks located in the city in which the principal corporate trust office of the Paying Agent is located are required or authorized to remain closed and other than a day on which the New York Stock Exchange is closed.

“Capital Improvements” means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and those property improvements or any combination of property improvements which will constitute enlargements, extensions or betterments to the System and will be incorporated into the System.

“Charter” means the home rule charter of the Town, as from time to time amended.

“Clerk” means the town clerk of the Town, or his or her successor in functions, if any.

“Closing Date” means the date of delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, and the regulations promulgated thereunder.

“Combined Maximum Annual Principal and Interest Requirements” means the largest sum of the principal of and interest on the Bonds and any other Outstanding Parity Bonds, excluding any securities the principal of which is payable within less than one year from the date on which issued, to be paid during any one Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later (but excluding any reserve requirement to secure such payments unless otherwise expressly provided). The word “principal,” as used in the preceding sentence, means for all purposes of this paragraph, the principal which must be paid to security Owners, whether on stated maturity dates or on mandatory Redemption Dates, or otherwise. Any such computation shall be adjusted for all purposes in the same manner as is provided in Section 803 hereof. For the purposes of this computation, it shall be assumed that (a) Variable Rate Bonds shall be assumed to bear interest at the highest of: (i) the actual rate of any Outstanding Variable Rate Bonds on the date of computation, or if the Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding), (ii) if the Variable Rate Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of computation, or if no Variable Rate Bonds are Outstanding for such twelve months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Variable Rate Bonds to be issued or (iii) (1) if interest on the Variable Rate Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer “Revenue Bond Index” (or if such Index is not published within 30 days prior to such determination, such index selected by the Town and acceptable to the Insurer), or (2) if interest is not so excludable, the interest rate on direct U.S.

Treasury Obligations with comparable maturities; (b) any Tender Bonds Outstanding at the time of such determination shall mature on the stated maturity or mandatory Redemption Date or Dates thereof; and (c) any Balloon Bonds Outstanding at the time of such determination which mature more than six months thereafter shall be deemed to mature over 30 years from the date of issuance of the Balloon Bonds, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Revenue Bond Index or if such Index is no longer published, of a comparable index selected by the Town and acceptable to the Insurer and will be payable on a level annual debt service basis over a thirty year period.

“Commercial Bank” means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation (or any successors thereto) and of the Federal Reserve System, which has a capital and surplus of \$25,000,000 or more, and which is located within the United States of America.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate for the Bonds executed by the Town.

“Cost of the Refunding Project” means all costs, as designated by the Town, of the Refunding Project, or any interest therein, which cost, at the option of the Town (except as may be otherwise limited by law) may include all, any one or other portion of the incidental costs pertaining to the Refunding Project, including, without limitation:

(a) All preliminary expenses or other costs advanced by the Town or any other Person from any source, with the approval of the Council, or any combination thereof, or otherwise;

(b) The costs of printing, estimates, advice, inspection, other services of accountants, financial consultants, attorneys at law, clerical help and other agents and employees;

(c) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Refunding Project and the issuance of the Bonds;

(d) All costs and expenses of issuing the Bonds including, without limitation, fees of the Paying Agent, Bond Counsel, counsel to the Purchaser, financial advisor, rating agencies and printers to the extent not defrayed as an Operation and Maintenance Expense;

(e) The costs of the filing or recording of instruments and the cost of any title insurance premiums;

(f) The payment of the premium for the Insurance Policy and Reserve Fund Insurance Policy issued by the Insurer, if any;

(g) The costs of amending any ordinance, resolution or other instrument pertaining to the Bonds or otherwise to the System; and

(h) All other expenses pertaining to the Refunding Project.

“Council” means the town council of the Town, and any successor governing body of the municipal corporation owning the System.

“Escrow Account” means the account maintained by the Escrow Bank pursuant to the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement dated as of its date, between the Town and the Escrow Bank.

“Escrow Bank” means UMB Bank, n.a., Denver, Colorado or its successors and assigns, acting as Escrow Bank under the Escrow Agreement.

“Events of Default” means the events stated in Section 1003 hereof.

“Federal Government” means the United States of America and any agency, instrumentality or corporation thereof.

“Federal Securities” means bills, certificates of indebtedness, notes, or bonds which are direct obligations of, or the principal and interest of which obligations are unconditionally guaranteed by, the United States of America.

“Finance Director” means the chief financial officer of the Town, or his or her successor in functions, if any.

“Fiscal Year” means the calendar year or any other 12 month period hereafter selected by the Town as its fiscal year.

“Gross Pledged Revenues” means all income, charges and revenues derived directly or indirectly by the Town from the operation and use of and otherwise pertaining to the System, or any part thereof, whether resulting from Capital Improvements or otherwise, and includes all income, charges and revenues received by the Town from the System, including without limitation:

(i) All fees, rates and other charges for the use of the System, or for any service rendered by the Town in the operation thereof, directly or indirectly, the availability of any such service, or the sale or other disposal of any commodities derived therefrom, including, without limitation, connection charges, but:

(i) Excluding any moneys borrowed and used for the acquisition of Capital Improvements or for the refunding of securities, and all income or other gain from any investment of such borrowed moneys;

(ii) Excluding any moneys received as grants, appropriations or gifts from the Federal Government, the State, or other sources, the use of which is limited by the grantor or donor to the construction of Capital Improvements, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom;

(iii) Excluding any moneys received by the Town as water resource fees imposed pursuant to Section 13.12.085 of the Town’s Municipal Code;

(iv) Excluding any moneys received by the Town as cash-in-lieu payments of the Denver Basin groundwater dedication required pursuant to Section 4.04.080 of the Town’s Municipal Code and deposited to the separate cash-in-lieu account established pursuant to Section 4.04.090 of the Town’s Municipal Code;

(v) Excluding any moneys received by the Town as renewable water rates pursuant to the Town’s Municipal Code;

(j) All income or other gain from any investment of Gross Pledged Revenues (including without limitation the income or gain from any investment of all Net Pledged Revenues, but excluding borrowed moneys and all income or other gain thereon in any acquisition or construction fund, reserve fund, or any escrow fund for any other Parity Bonds payable from Net Pledged Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Pledged Revenues) unless the Council or the qualified electors of the Town otherwise provide by ordinance, or such electors by Charter amendment; and

(k) All income and revenues derived from the operation of any other utility or other income-producing facilities added to the System and to which the pledge and lien herein provided are extended by ordinance adopted by the Council or the qualified electors of the Town or by Charter amendment adopted by such electors.

“improve” or “improvement” means the extension, reconstruction, alteration, betterment or other improvement by the construction, purchase or other acquisition of facilities, including, without limitation, appurtenant machinery, apparatus, fixtures, structures and buildings.

“Income Fund” means the special account designated as the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Gross Income Fund” created pursuant to Section 602 hereof.

“Independent Accountant” means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State:

(a) Who is, in fact, independent and not under the domination of the Town;

(b) Who does not have any substantial interest, direct or indirect, with the Town, and

(c) Who is not connected with the Town as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the Town.

“Independent Engineer” means an individual, firm or corporation engaged in the engineering profession of recognized good standing and having specific experience in respect of business and properties of a character similar to those of the System, which individual, firm or corporation has no substantial interest, direct or indirect, in the Town and in the case of an individual, is not a member of the Council, or an officer or employee of the Town, and in the case of a firm or corporation, does not have a partner, director, officer or employee who is a member of the Council or an officer or employee of the Town.

“Insurance Agreement” means any agreement entered into between the Town and any Insurer pursuant to Section 212 of this Ordinance.

“Insurance Policy” means the municipal bond new issue insurance policy, if any, issued by the Insurer that guarantees payment of principal of and interest on the Bonds when due.

“Insurer” means the issuer of the Insurance Policy, if any, as set forth in the Sale Certificate.

“Investment Securities” means any securities or other obligations permitted as investments of moneys of the Town under the laws of the State.

“Mayor” means the mayor of the Town, or his or her successor in functions.

“Moody’s” means Moody’s Investors Services, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

“Net Pledged Revenues” means the Gross Pledged Revenues remaining after the payment of the Operation and Maintenance Expenses of the System.

“Official Statement” means the Official Statement delivered in connection with the original issuance and sale of the Bonds.

“Operation and Maintenance Expenses” means all reasonable and necessary current expenses of the Town, paid or accrued, of operating, maintaining and repairing the System or any component division or other part thereof, or any other designated facilities in connection with which such term is used including, without limitation, all salaries, labor, materials and repairs necessary to render efficient service; and the term includes, at the option of the Town, acting by and through the Council, except as limited by law, without limitation:

(a) Engineering, auditing, reporting, legal and other overhead expenses of the various departments of the Town directly related and reasonably allocable to the administration, operation and maintenance of the System;

(b) Fidelity bond premiums and property and liability insurance premiums pertaining to the System, or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the System;

(c) Payments to pension, retirement, health and hospitalization funds, other insurance, and to any self-insurance fund;

(d) Any general (ad valorem) taxes, assessments, excise taxes or other charges which may be lawfully imposed on the Town, the System, revenues therefrom, or the Town's income from or operations of any properties under its control and pertaining to the System, or any privilege in connection with the System or its operation (but no payments made in lieu of taxes);

The reasonable charges of the Paying Agent, any alternate Paying Agent, any paying agents or escrow agent for any securities payable from the Net Pledged Revenues which have been or will be refunded, and any other depository bank pertaining to the Bonds and any other securities payable from the Net Pledged Revenues or otherwise pertaining to the System, and the premium for any Reserve Fund Insurance Policy issued other than concurrently with the issuance of the Bonds and any periodic fees, premiums, expense or other costs incurred in connection with any letter of credit or with respect to a remarketing, tender, indexing or similar agent;

(e) Contractual services, professional services, salaries, other administrative expenses and costs of materials, supplies, repairs and labor pertaining to the System or to the issuance of the Bonds or any other securities relating to the System, including, without limitation, the expenses and compensation of any trustee, receiver or other fiduciary;

(f) The costs incurred by the Town in the collection and any refunds of all or any part of the Gross Pledged Revenues;

(g) Any costs of utility services furnished to the System by the Town or otherwise, including, without limitation, the contracting by the Town for water, sanitary sewer, electricity, or gas, or any combination thereof, from any Person, for distribution through the System or for the transmission or treatment of water, wastewater, electricity, or gas for use by the Town and its customers and the obligations due under any contract pertaining thereto on a take-and-pay basis or take-or-pay basis or otherwise;

(h) Any payment obligations of the Town pursuant to the following Agreements:

(i) Master Intergovernmental Agreement dated December 1, 1991 between Town of Castle Rock and Meadows Metropolitan Districts Nos. 1-7 and the related Meadows (Fourth Amendment) Development Agreement dated April 14, 2003 between the Town, Castle Rock Development Company and Castle Rock Land Company;

(ii) Castlewood Ranch Development Agreement dated June 11, 1998, between the Town of Castle Rock and DSSD, Limited Liability Company and the related Master Intergovernmental Agreement between the Town and Castlewood Ranch Metropolitan District dated June 11, 1998, as amended by the First Amendment to Master Intergovernmental Agreement dated August 24, 2000;

(iii) Maher Ranch Phase 1 Annexation and Development Agreement dated April 27, 2000, between the Town of Castle Rock and Diamond Ridge, LLC;

(iv) Crystal Valley Ranch Development Agreement dated March 22, 2001, between the Town of Castle Rock and Maple Grove Land Limited Partnership, as amended by the First Amendment thereto dated August 19, 2002;

(v) Castle Rock Estates Annexation and Development Agreement recorded on December 18, 1995 at Reception No. 9561705 beginning in Book 1309 at Page 002 of the public records of Douglas County, Colorado, between the Town of Castle Rock and Diamond Ridge Estates, LLC, as amended by the First Amendment thereto dated April 10, 1997;

(vi) Castle Oaks Development Agreement dated October 28, 2002, between the Town of Castle Rock and Castle Oaks Estates, LLC and the related Master Intergovernmental Agreement between the Town and Castle Oaks Metropolitan District dated October 28, 2002, as amended by the First Amendment to Master Intergovernmental Agreement dated September 2, 2003;

(vii) Master Intergovernmental Agreement dated May 1, 1995, between the Town and Villages at Castle Rock Metropolitan Districts No. 1 and No. 4;

(viii) Liberty Village Development Agreement dated April 27, 2004, between the Town of Castle Rock and MDC Land Corporation; and

(i) All other administrative, general and commercial expenses pertaining to the System and all other current expenses pertaining to the System which are properly classified as operation and maintenance expenses under generally accepted accounting principles; but

- (i) Excluding any allowance for depreciation;
- (ii) Excluding any costs of Capital Improvements (or any combination thereof);
- (iii) Excluding any reserves for major capital replacements (other than normal repairs);
- (iv) Excluding any reserves for operation, maintenance or repair of the System;

(v) Excluding any allowance for the redemption of any Bond or other security evidencing a loan or other obligation, or the payment of any interest thereon, or any prior redemption premium due in connection therewith, or any reserve therefor;

(vi) Excluding any liabilities incurred in the acquisition or improvement of any properties comprising any Capital Improvements or any existing facilities (or any combination thereof) incorporated into the System, or otherwise; and

(vii) Excluding any liabilities incurred by the Town as the result of its negligence in the operation of the System or any other ground of legal liability not based on contract.

“Ordinance” means this Ordinance of the Town, which provides for the issuance and delivery of the Bonds.

“Outstanding” when used with reference to the Bonds, Parity Bonds, or any other designated securities and as of any particular date means all the Bonds, Parity Bonds, or any such other securities payable from the Net Pledged Revenues or otherwise pertaining to the System, as the case may be, in any manner theretofore and thereupon being executed and delivered:

(a) Except any Bond or other security canceled by the Town, by any paying agent, or otherwise on the Town’s behalf, at or before such date;

(b) Except any Bond or other security deemed to be paid as provided in Section 1201 hereof or any similar provision of the Ordinance authorizing the issuance of such other security;

(c) Except any Bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered pursuant to Sections 306, 307 or 1108 hereof or any similar provisions of the Ordinance authorizing the issuance of such other security.

“Owner” means the registered owner of any designated Bond or other designated security.

“Parity Bonds” means the 2006 Bonds, the 2012 Bonds, and any other securities hereafter issued payable from and having an irrevocable lien upon the Net Pledged Revenues on a parity with the Bonds.

“Parity Bond Ordinances” means the 2006 Bond Ordinance, the 2012 Bond Ordinance, and any agreements hereafter entered into by the Town with respect to Parity Bonds and, without duplication, any Ordinances hereafter adopted by the Council authorizing the issuance of Parity Bonds.

“Paying Agent” means UMB Bank, n.a., Denver, Colorado, in Denver, Colorado, and being an agent of the Town for the payment of the Bond Requirements due in connection with the Bonds, the registrar for the Bonds and for other administration of moneys pertaining to the Bonds, and includes any successor Commercial Bank as paying agent.

“Paying Agent Agreement” means the agreement dated as of the date of delivery of the Bonds, between the Town and the Paying Agent.

“Person” means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State, or any other body corporate and politic other than the Town), partnership, limited liability company, association or individual, and also

includes an executor, administrator, trustee, receiver or other representative appointed according to law.

“Policy Costs” means repayment of draws under the Reserve Fund Insurance Policy, plus all related reasonable expenses incurred by the Surety Provider or any similar costs related to a reserve fund insurance policy for Parity Bonds.

“Preliminary Official Statement” means the Preliminary Official Statement delivered in connection with the original issuance and sale of the Bonds.

“Purchaser” means Stifel Nicolaus & Company Incorporated, Denver, Colorado.

“Purchase Contract” means the Bond Purchase Agreement between the Town and the Purchaser concerning the purchase of the Bonds.

“Rating Agency” means each nationally recognized securities rating agency then maintaining a rating on the Bonds and initially means Moody’s and Standard & Poor’s.

“Rebate Fund” means the special account designated as the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015 Rebate Fund” created pursuant to Section 609 hereof.

“Record Date” means the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

“Redemption Date” means the date fixed for the redemption prior to their respective maturities of any Bonds or other designated securities payable from Net Pledged Revenues in any notice of prior redemption or otherwise fixed and designated by the Town.

“Refunded Bonds” means all of the outstanding 2006 Bonds maturing on and after December 1, 2017.

“Refunding Project” means the advance refunding of the Refunded Bonds.

“Reserve Fund” means the special account designated as the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015 Reserve Fund” created pursuant to 606 hereof.

“Reserve Fund Insurance Policy” means any credit instrument deposited in or credited to the Reserve Fund as provided in Section 606 hereof in lieu of or in partial substitution for cash or Investment Securities on deposit in the Reserve Fund.

“Reserve Fund Requirement” means, the amount, if any, set forth is the Sale Certificate.

“Revenue Bond Index” means the Revenue Bond Index as published in the most recent issue of the Bond Buyer (or any successor thereto).

“Sale Certificate” means the sale certificate of the Town relating to the Bonds issued pursuant to the Supplemental Public Securities Act and described in Section 213 hereof.

“2006 Bond Ordinance” means Town’s Ordinance No. 2006-52, adopted on November 28, 2006, authorizing the issuance of the 2006 Bonds.

“2012 Bond Ordinance” means Town’s Ordinance No. 2012-04, adopted on March 6, 2012, authorizing the issuance of the 2012 Bonds.

“2006 Bonds” means the Town’s Water and Sewer Enterprise Revenue Bonds, Series 2006, dated December 19, 2006.

“2012 Bonds” means the Town’s Water and Sewer Enterprise Revenue Refunding Bonds, Series 2012, dated May 15, 2012.

“Special Record Date” means a special date fixed by the Paying Agent to determine the names and addresses of Owners of Bonds for the purpose of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in Section 302 hereof.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and its assigns.

“State” means the State of Colorado.

“Subordinate Securities” means securities payable from the Net Pledged Revenues subordinate and junior to the lien thereon of the Bonds and any Parity Bonds.

“Supplemental Public Securities Act” means Part 2 of Article 57 of Title 11, Colorado Revised Statutes, as amended.

“Surety Provider” means the Insurer or any other entity issuing a Reserve Fund Insurance Policy with respect to the Bonds, provided that such other entity is rated at least “A” or higher by Standard & Poor’s, Moody’s or Fitch, Inc. at the time such policy, bond or letter of credit is deposited in or credited to the Reserve Fund.

“System” means the municipal water system and municipal sanitary sewer system, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the Town, through purchase, construction and otherwise, and used in connection with such system of the Town, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the Town; and such defined term includes any other utility or other income-producing facilities added to the System and to which the lien and pledge herein provided are extended by ordinance adopted by the Council or the

qualified electors of the Town or by Charter amendment adopted by such electors; provided, however, that the municipal water system does not include revenue derived from the Town's renewable water resource fee and monthly renewable water service charge.

“Tax Compliance Certificate” means the Federal Tax Exemption Certificate executed by the Town in connection with the initial issuance and delivery of the Bonds as it may from time to time be amended.

“Tender Bonds” means the Bonds and any other securities payable from Net Pledged Revenues which by their terms may be required to be tendered for purchase, or which may be tendered by and at the option of the Owner thereof for purchase, prior to the stated maturity thereof.

“Term Bonds” means Bonds that are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Town” means the Town of Castle Rock, Colorado, or any successor municipal corporation owning the System.

“Town Manager” means the town manager of the Town, or his or her successor.

“Trust Bank” means a Commercial Bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

“Variable Rate Bonds” means the Bonds and any other securities payable from Net Pledged Revenues issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the entire term thereof at the date of issue.

B. Town-Held Securities. Any securities payable from any Net Pledged Revenues held by the Town shall not be deemed to be Outstanding for the purpose of redemption nor Outstanding for the purpose of consents hereunder or for any other purpose herein.

Section 103. Parties Interested Herein. Nothing herein expressed or implied confers any right, remedy or claim upon any Person, other than the Town, the Council, the Paying Agent, the Insurer, the Surety Provider, the Owners of the Bonds and the Owners of any Parity Bonds or other securities payable from the Net Pledged Revenues when reference is expressly made thereto. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Town shall be for the sole and exclusive benefit of the Town, the Council, the Paying Agent, the Insurer, the Surety Provider, the Owners of the Bonds and the Owners of any such other securities in the event of such a reference.

Section 104. Ratification; Approval of Documents. All action heretofore taken (not inconsistent with the provisions of this Ordinance) by the Council, the officers of the Town and otherwise taken by the Town directed toward the Refunding Project and the sale and

delivery of the Bonds for such purposes, be, and the same hereby is, ratified, approved and confirmed.

Section 105. Repealer. All bylaws, orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any such bylaw, order, resolution or ordinance, or part thereof, heretofore repealed.

Section 106. Severability. If any section, subsection, paragraph, clause or other provision of this Ordinance for any reason is invalid or unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause or other provision shall not affect any of the remaining provisions of this Ordinance.

Section 107. Ordinance Irrepealable. After any of the Bonds are issued, this Ordinance shall constitute an irrevocable contract between the Town and the Owner or Owners of the Bonds and this Ordinance shall be and shall remain irrepealable until the Bonds, as to all Bond Requirements, shall be fully paid, canceled, and discharged, except as herein otherwise provided.

Section 108. Conclusive Recitals. Pursuant to Section 11-57-210 of the Supplemental Public Securities Act, the Bonds shall contain a recital that they are issued pursuant to the Supplemental Public Securities Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value.

Section 109. Limitation of Actions. Pursuant to Section 11-57-212 of the Supplemental Public Securities Act, no legal or equitable action brought with respect to any legislative acts or proceedings of the Town in connection with the authorization or issuance of the Bonds, including but not limited to the adoption of this Ordinance, shall be commenced more than thirty days after the authorization of the Bonds.

Section 110. Emergency Declaration. In order to take advantage of the currently favorable conditions in the municipal bond market, the continuation of which cannot be predicted, the Council hereby determines that this Ordinance is necessary for the immediate preservation of the public peace, health or safety

Section 111. Effective Date and Disposition. As an emergency ordinance, this Ordinance shall take effect upon adoption, shall be authenticated and shall be numbered and recorded in the official records of the Town as required by the Charter. This Ordinance shall be published by title and summary (with notice that the entire text of the proposed Ordinance is available for public inspection at the office of the Town Clerk) prior to first reading thereon and subsequent to adoption.

ARTICLE II

DETERMINATION OF THE TOWN'S AUTHORITY AND OBLIGATIONS; APPROVAL OF RELATED DOCUMENTS; AND ELECTION TO APPLY SUPPLEMENTAL PUBLIC SECURITIES ACT TO THE BONDS

Section 201. Authority for this Ordinance. This Ordinance is adopted by virtue of the Town's powers as a home rule town reorganized and operating pursuant to Article XX of the State Constitution and the Charter thereunder, the Supplemental Public Securities Act, and all other laws of the State thereunto enabling. Pursuant to Article XX of the State Constitution and the Charter, all statutes of the State which might otherwise apply in connection with the Refunding Project or the Bonds are hereby superseded, other than the Supplemental Public Securities Act.

Section 202. Bonds Equally Secured. The covenants and agreements herein set forth to be performed on behalf of the Town shall be for the equal benefit, protection and security of the Owners of any and all of the Outstanding Bonds and any Outstanding Parity Bonds heretofore or hereafter authorized and issued, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such securities over any other thereof, except as otherwise expressly provided in or pursuant to this Ordinance.

Section 203. Special Obligations. The Town hereby authorizes the Bonds to be issued in the principal amount approved by the Mayor, Town Manager or the Finance Director in the Sale Certificate, subject to the parameters and restrictions contained in this Ordinance, for the purpose of: (i) paying the cost of the Refunding Project; and (ii) paying issuance and other costs in connection with the Bonds. The Town pledges irrevocably, but not necessarily exclusively, the Net Pledged Revenues to the payment of the Bond Requirements of the Bonds. All of the Bond Requirements of the Bonds and the Policy Costs shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are so pledged; the Owner or Owners of the Bonds and the Surety Provider may not look to any general or other fund for the payment of such Bond Requirements, except the herein designated special funds pledged therefor; the Bonds and the Policy Costs shall not constitute an indebtedness or a debt within the meaning of any constitutional, Charter or statutory provision or limitation; and the Bonds and the Policy Costs shall not be considered or held to be general obligations of the Town but shall constitute its special obligations. No Charter, statutory or constitutional provision enacted after the issuance of the Bonds shall in any manner be construed as limiting or impairing the obligation of the Town to comply with the provisions of this Ordinance or to pay the Bond Requirements of the Bonds and the Policy Costs as herein provided.

Section 204. Character of Agreement. None of the covenants, agreements, representations and warranties contained herein or in the Bonds shall ever impose or shall be construed as imposing any liability, obligation or charge against the Town (except the special funds pledged therefor), or against its general credit, or as payable out of its general fund or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefor).

Section 205. No Pledge of Property. The payment of the Bonds and the Policy Costs is not secured by an encumbrance, mortgage or other pledge of property of the Town, except for the Net Pledged Revenues and other moneys pledged for the payment of the Bond Requirements of the Bonds. No property of the Town, subject to such exception, shall be liable to be forfeited or taken in payment of the Bonds or the Policy Costs.

Section 206. No Recourse Against Officers and Agents. No recourse shall be had for the payment of the Bond Requirements of the Bonds or the Policy Costs or for any claim based thereon or otherwise upon this Ordinance or any other ordinance pertaining hereto, against any individual member of the Council or any officer, employee or other agent of the Town, past, present or future, either directly or indirectly through the Council, or the Town, or otherwise, whether by virtue of any penalty or otherwise, all such liability, if any, being by the acceptance of the Bonds and as part of the consideration of their issuance specially waived and released.

Section 207. Authorization of the Refunding Project. The Council, on behalf of the Town, does hereby determine to undertake the Refunding Project, which is hereby authorized, and the proceeds of the Bonds shall be used therefor.

Section 208. Enterprise Status. The Council, on behalf of the Town, hereby confirms its determination that the System shall be an “enterprise” for the purposes of Article X, Section 20 of the State Constitution. In particular, the System shall be owned by the Town and shall have the power to issue revenue bonds in the manner and payable from the sources set forth in this Ordinance and the Charter.

Section 209. Sale of Bonds. The Bonds shall be sold by negotiated sale to the Purchaser as authorized by Section 10-6 of the Charter. Pursuant to the Supplemental Public Securities Act, the Council hereby delegates to the Mayor, Town Manager or the Finance Director the authority to execute the proposal submitted by the Purchaser.

Section 210. Official Statement. The preparation and use of the Preliminary Official Statement and of the final Official Statement are hereby authorized. The Mayor, Town Manager and the Finance Director are hereby authorized to approve, on behalf of the Town, the Official Statement. The execution of the Official Statement by the Mayor, Town Manager, Finance Director shall be conclusively deemed to evidence the approval of the form and contents thereof by the Town.

Section 211. Paying Agent Agreement. The Council hereby determines to approve the Paying Agent Agreement. If the Paying Agent appointed thereunder shall resign, or if the Town shall determine to remove the Paying Agent, then the Town may appoint a successor Paying Agent, upon notice mailed to each owner of any Bond at his address last shown on the registration records maintained by the Paying Agent. No resignation or dismissal of the Paying Agent may take effect until a successor has been appointed and has accepted the duties of the Paying Agent; provided, that if no successor is appointed by the end of 90 days, the Paying Agent or Registrar may petition a court of competent jurisdiction to appoint a successor. Every such successor Paying Agent shall be a Commercial Bank.

Section 212. Other Related Documents. The forms, terms and provisions of, and the performance by the Town of its obligations under the Preliminary Official Statement, the Paying Agent Agreement, the Escrow Agreement and the Continuing Disclosure Certificate are hereby approved and the Mayor, Town Manager or the Finance Director and any deputy thereof are hereby authorized and directed to execute each of such documents on behalf of and in the name of the Town, and to deliver each of such documents, in substantially the form on file with the Town Clerk, with such changes as are not inconsistent herewith or, with respect to the

Preliminary Official Statement, in such form as hereafter approved by the Mayor, Town Manager or the Finance Director. The Mayor, Town Manager or the Finance Director are hereby independently authorized to execute and deliver any Insurance Agreement as may be required by an Insurer relating to the issuance of the Insurance Policy or a Surety Provider relating to the Reserve Fund Insurance Policy. The execution of any instrument by the appropriate officers of the Town herein authorized shall be conclusive evidence of the approval by the Town of such instrument in accordance with the terms hereof.

Section 213. Election to Apply Supplemental Public Securities Act to the Bonds. Pursuant to Section 11-57-204 of the Supplemental Public Securities Act, a public entity, including the Town, may elect in an act of issuance to apply all or any of the provisions of the Supplemental Public Securities Act. The Council hereby elects to apply all of the provisions of the Supplemental Public Securities Act to the Bonds. Pursuant to such election to apply Section 11-57-205 of the Supplemental Public Securities Act to the Bonds, the Council hereby delegates to the Mayor, Town Manager or the Finance Director the authority to make the following determinations with respect to the Bonds, subject to the parameters and restrictions contained in this Ordinance, without any requirement that the Council approve such determinations:

(i) Interest Rate. The net effective rate of interest to be borne by the Bonds which shall not exceed 3.70%.

(ii) Redemption Provisions. The Bonds may be sold without a provision for optional redemption prior to maturity, but if the Purchaser's proposal to purchase the Bonds provides for optional redemption of the Bonds prior to maturity, the redemption price on the Bonds shall not exceed 101%

(iii) Purchase Price. The price at which the Bonds will be sold to the Purchaser which shall not be less than 99.00% of the aggregate principal amount of the Bonds.

(iv) Principal Amount. The aggregate principal amount of the Bonds, provided that such principal amount shall not exceed \$6,200,000.

(v) Maturity Schedule. The amount of principal of the Bonds maturing, or subject to mandatory sinking fund redemption, in any particular year; to be not more than \$800,000 annually, and the maximum total repayment cost shall not exceed \$7,400,000, provided however, that the Bonds shall not mature later than December 1, 2026.

(vi) Reserve Fund. The existence and amount of any Reserve Fund.

(vi) Bond Insurance. Whether the Bonds will be secured by an Insurance Policy or a Reserve Fund Insurance Policy and the terms of any agreement with the provider of such Insurance Policy or Reserve Fund Insurance Policy.

Such determinations shall be evidenced by the Sale Certificate signed by the Mayor, Town Manager or the Finance Director dated and delivered as of the Closing Date, which shall not be more than one year from the date of final adoption of this Ordinance. If the Town shall determine to not obtain an Insurance Policy to secure the payment of principal of and interest on the Bonds, or not to obtain a Reserve Fund Insurance Policy, any references to the

Insurer, the Insurance Policy, the Reserve Fund Insurance Policy, the Surety Provider, Policy Costs, the Insurance Agreement, or other provisions relating to bond insurance shall be of no force or effect.

Section 214. Determination to Refund the Refunded Bonds. The Council hereby irrevocably determines to refund the Refunded Bonds on the earliest practicable date after the Closing Date.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS

Section 301. Authorization of Bonds. For the purpose of protecting the public health, conserving the property and advancing the general welfare of the citizens of the Town and of defraying wholly or in part the Cost of the Refunding Project, the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015” in an aggregate principal amount set forth in the Sale Certificate (but not to exceed \$[6,200,000]) are hereby authorized to be issued; and the Town pledges irrevocably, but not necessarily exclusively, the Net Pledged Revenues to the payment of the Bond Requirements of the Bonds.

Section 302. Bond Details.

A. Basic Provisions. The Bonds shall be issued in fully registered form (*i.e.* registered as to payment of both principal and interest), in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be lettered “R” and shall be numbered separately from 1 upward. The Bonds shall be dated as of the date of their delivery to the Purchaser. The Bonds shall mature on December 1, in the years and amounts and subject to prior redemption as set forth herein and in the Sale Certificate. The Bonds shall bear interest from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from their date until their respective maturities (or prior redemption) at the rates set forth in the Sale Certificate. No interest shall accrue on any Bonds owned by or on behalf of the Town. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months, payable semiannually on each June 1 and December 1, commencing on the date provided in the Sale Certificate

B. Payment of Bonds. The principal of each Bond shall be payable at the principal corporate trust office of the Paying Agent, or at such other office as the Paying Agent directs in writing to the Owners of the Bonds, or at the principal office of its successor, upon presentation and surrender of the Bond. Payment of interest on any Bond shall be made to the Owner thereof by the Paying Agent on or before each interest payment date, (or, if such interest payment date is not a Business Day, on or before the next succeeding Business Day), to such Owner at his or her address as it appears on the registration records kept by the Paying Agent on the Record Date; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date and the date fixed for payment of such defaulted interest shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners not less than ten days prior to the Special Record Date by first-class mail to each such Owner as shown on the Paying Agent’s registration books on a date selected by the Paying Agent, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent. If any Bond is not paid upon its presentation and surrender at or after its

maturity or prior redemption, interest shall continue at its stated rate per annum until the principal thereof is paid in full. All such payments shall be made in lawful money of the United States of America.

Section 303. Execution of Bonds. The Bonds shall be executed in the name of the Town by the manual or facsimile signature of the Mayor, shall be sealed with the corporate seal of the Town or a facsimile thereof thereunto affixed, imprinted, engraved or otherwise reproduced and shall be attested by the manual or facsimile signature of the Clerk. Any Bond may be signed (manually or by facsimile), sealed or attested on behalf of the Town by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of authentication, issuance or delivery, such person may have ceased to hold such office. The Mayor and the Clerk may adopt as and for his or her own facsimile signature the facsimile signature of his or her predecessor in office in the event that such facsimile signature appears on any of the Bonds. Before the execution of any Bond, the Mayor and the Clerk shall each file with the Secretary of State of the State his or her manual signature certified by him or her under oath.

Section 304. Authentication Certificate. The authentication certificate upon the Bonds shall be substantially in the form and tenor provided in the form of the Bonds attached to this Ordinance as Exhibit A. No Bond shall be secured hereby or entitled to the benefit hereof, nor shall any Bond be valid or obligatory for any purpose, unless the certificate of authentication, substantially in such form, has been duly executed by the Paying Agent and such certificate of the Paying Agent upon any Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer or employee of the Paying Agent, but it shall not be necessary that the same officer or employee sign the certificate of authentication on all of the Bonds.

Section 305. Registration and Payment. The Paying Agent shall keep or cause to be kept sufficient records for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Town. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as herein provided. Except as provided in the first paragraph of Section 307 hereof, the Person in whose name any Bond shall be registered on the registration records kept by the Paying Agent shall be deemed and regarded as the absolute owner thereof for the purpose of making payment of the Bond Requirements thereof and for all other purposes; and payment of or on account of the Bond Requirements of any Bond shall be made only to the Owner thereof or his or her legal representative, but such registration may be changed upon transfer of such Bond in the manner and subject to the conditions and limitations provided herein. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid. The foregoing provisions of this Section are subject to the provisions of Section 308 hereof.

Section 306. Transfer and Exchange. Any Bond may be transferred upon the records required to be kept pursuant to the provisions of Section 305 hereof by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a

form approved by the Paying Agent, duly executed. Whenever any Bond or Bonds shall be surrendered for transfer, the Paying Agent shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount and of the same maturity and interest rate and of any authorized denominations. The Bonds may be exchanged by the Paying Agent for a like aggregate principal amount of Bonds of the same maturity and interest rate and of other authorized denominations. The execution by the Town of any Bond of any denomination shall constitute full and due authorization of such denomination and the Paying Agent shall thereby be authorized to authenticate and deliver such Bond.

The Paying Agent shall not be required to transfer or exchange (a) any Bond subject to redemption during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day such notice is mailed, or (b) any Bond so selected for redemption in whole or in part after the mailing of notice calling such Bond or any portion thereof for prior redemption except the unredeemed portion of Bonds being redeemed in part.

The Paying Agent shall require the payment by any Owner requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer, and may charge a sum sufficient to pay the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the Town or the Paying Agent incurred in connection therewith.

The foregoing provisions of this Section are subject to the provisions of Section 308 hereof.

Section 307. Bond Replacement. Upon receipt by the Town and the Paying Agent of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Bond and, in the case of a lost, stolen or destroyed Bond, of indemnity satisfactory to them, and in the case of a mutilated Bond upon surrender and cancellation of the Bond, (a) the Town shall execute and the Paying Agent shall authenticate and deliver a new Bond of the same date, interest rate and denomination in lieu of such lost, stolen, destroyed or mutilated Bond or (b) if such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the Town may pay such Bond. Any such new Bond shall bear a number not previously assigned. The applicant for any such new Bond may be required to pay all expenses and charges of the Town and of the Paying Agent in connection with the issuance of such Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities.

Section 308. Custodial Deposit.

A. Depository. Notwithstanding any contrary provision of this Ordinance, the Bonds initially shall be evidenced by one Bond of the same maturity and interest rate in denominations equal to the aggregate principal amount of the Bonds of the same maturity and interest rate. Such initially delivered Bonds shall be registered in the name of “Cede & Co.” as nominee for The Depository Trust Company, the securities depository for the Bonds. The Bonds may not thereafter be transferred or exchanged except:

(1) to any successor of The Depository Trust Company or its nominee, which successor must be both a “clearing corporation” as defined in Section 4-8-102(3), Colorado Revised Statutes and a qualified and registered “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended; or

(2) upon the resignation of The Depository Trust Company or a successor or new depository institution under clause (1) or this clause (2) of this paragraph A, or a determination by the Council that The Depository Trust Company or such successor or a new depository institution is no longer able to carry out its functions, and the designation by the Council of another depository institution acceptable to the Council and to the depository then holding the Bonds, which new depository must be both a “clearing corporation” as defined in Section 4-8-102(a)(5), C.R.S. and a qualified and registered “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended, to carry out the functions of The Depository Trust Company or such successor new depository institution; or

(3) upon the resignation of The Depository Trust Company or a successor or new depository institution under clause (1) above or designation of a new depository institution pursuant to clause (2) above, or a determination of the Council that The Depository Trust Company or such successor or depository institution is no longer able to carry out its functions, and the failure by the Council, after reasonable investigation, to locate another depository institution under clause (2) to carry out such depository institution functions.

B. Successor. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (1) of paragraph A hereof, upon receipt of the outstanding Bonds by the Paying Agent together with written instructions for transfer satisfactory to the Paying Agent, a new Bond for each maturity and interest rate of the Bonds then outstanding shall be issued to such successor or new depository, as the case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) of paragraph A hereof and the failure after reasonable investigation to located another qualified depository institution for the Bonds as provided in clause (3) of paragraph A hereof, and upon receipt of the outstanding Bonds by the Paying Agent, together with written instructions for transfer satisfactory to the Paying Agent, new Bonds shall be issued in authorized denominations as provided in and subject to the limitations of Sections 302, 305, and 306 hereof, registered in the names of such Persons, as are requested in such written transfer instructions; however, the Paying Agent shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

C. Absolute Owner. The Council and the Paying Agent shall be entitled to treat the Owner of any Bond as the absolute owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by any or all of them and the Council and the Paying Agent shall have no responsibility for transmitting payments or notices to the beneficial owners of the Bonds held by The Depository Trust Company or any successor or new depository named pursuant to paragraph A hereof.

D. Payment. The Council and the Paying Agent shall endeavor to cooperate with The Depository Trust Company or any successor or new depository named pursuant to clause (1) or (2) of paragraph A hereof in effectuating payment of the principal amount of the Bonds upon maturity or prior redemption by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

E. Redemption. Upon any partial redemption of Bonds of the same maturity and interest rate, Cede & Co. (or its successor) in its discretion may request the Town to issue and authenticate a new Bond or shall make an appropriate notation on the Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case the Bond must be presented to the Paying Agent prior to payment. The records of the Paying Agent shall govern in the case of any dispute as to the amount of any partial prepayment made to Cede & Co. (or its successor).

Section 309. Bond Cancellation. Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Paying Agent for transfer, exchange or replacement as provided herein, such Bond shall be promptly canceled and destroyed by the Paying Agent.

Section 310. Incontestable Recital in Bonds. Pursuant to Article XX of the State Constitution, the Supplemental Public Securities Act and this Ordinance, each Bond shall recite that it is issued under the authority of this Ordinance and the Supplemental Public Securities Act and that it is the intention of the Town that such recital shall conclusively impart full compliance with all the provisions of this Ordinance and shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value and that all the Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

Section 311. Bond Form. Subject to the provisions of this Ordinance, each Bond shall be in substantially the form attached hereto as Exhibit A, with such omissions, insertions, endorsements and variations as to any recitals of fact or other provisions as may be required by the circumstances, be required or permitted by this Ordinance, be consistent with this Ordinance or be necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto.

ARTICLE IV

REDEMPTION

Section 401. Optional Redemption. The Bonds shall be subject to redemption prior to maturity at the option of the Town from any legally available funds on the dates set forth in the Sale Certificate in whole, or in part from any maturity and interest rate, in any order of maturity and by lot within a maturity and interest rate, in such manner as the Town may determine (giving proportionate weight to Bonds in denominations larger than \$5,000), at a redemption price as set forth in the Sale Certificate.

Notwithstanding the foregoing, the Bonds may not be redeemed pursuant to this Section unless all Policy Costs, if any, due and owing at the time to the Surety Provider have been paid.

Section 402. Mandatory Sinking Fund Redemption. The Term Bonds, if any, shall be subject to mandatory sinking fund redemption at the times, in the amounts and at the prices provided in the Sale Certificate.

On or before the thirtieth day prior to each such sinking fund payment date, the Paying Agent shall proceed to call the Term Bonds, if any, as provided in the Sale Certificate (or any Term Bond or Term Bonds issued to replace such Term Bonds) for redemption from the sinking fund on the next December 1, and give notice of such call without further instruction or notice from the Town.

At its option, to be exercised on or before the sixtieth day next preceding each such sinking fund Redemption Date, the Town may (a) deliver to the Paying Agent for cancellation Term Bonds subject to mandatory sinking fund redemption on such date in an aggregate principal amount desired or (b) receive a credit in respect of its sinking fund redemption obligation for any Term Bonds of the same maturity and interest rate subject to mandatory sinking fund redemption on such date, which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Paying Agent and not theretofore applied as a credit against any sinking fund redemption obligation. Each Term Bond so delivered or previously redeemed will be credited by the Paying Agent at the principal amount thereof against the obligation of the Town on such sinking fund date and such sinking fund obligation will be accordingly reduced. The Town will on or before the sixtieth day next preceding each sinking fund Redemption Date furnish the Paying Agent with its certificate indicating whether or not and to what extent the provisions of (a) and (b) of the preceding sentence are to be availed with respect to such sinking fund payment. Failure of the Town to deliver such certificate shall not affect the Paying Agent's duty to give notice of sinking fund redemption as provided in this paragraph.

Section 403. Partial Redemption. In the case of Bonds of a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any integral multiple thereof) may be redeemed, in which case the Paying Agent shall, without charge to the owner of such Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof.

Section 404. Notice of Prior Redemption. Notice of optional or mandatory redemption shall be given by the Paying Agent in the name of the Town by sending a copy of such notice by first-class, postage prepaid mail, not more than sixty nor less than thirty days prior to the Redemption Date to each Owner at his address as it last appears on the registration books kept by the Paying Agent; but neither failure to give such notice nor any defect therein shall affect the redemption of any Bond. Such notice shall identify the Bonds to be so redeemed (if less than all are to be redeemed) and the Redemption Date, and shall further state that on such Redemption Date there will become and be due and payable upon each Bond so to be redeemed, at the principal office of the Paying Agent, the principal amount thereof, accrued interest to the Redemption Date, and the stipulated premium, if any, and that from and after such date interest will cease to accrue. Notice having been given in the manner hereinabove provided, the Bond or Bonds so called for redemption shall become due and payable on the Redemption Date so designated; and upon presentation thereof at the principal office of the Paying Agent, the Paying Agent will pay the Bond or Bonds so called for redemption. No further interest shall accrue on the principal of any such Bond called for redemption from and after the Redemption Date, provided sufficient funds are deposited with the Paying Agent and available on the Redemption Date.

Notwithstanding the provisions of this Section, any notice of redemption shall either (a) contain a statement that the redemption is conditioned upon the receipt by the Paying Agent on or before the Redemption Date of funds sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the Owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed, or (b) be given only if funds sufficient to pay the redemption price of the Bonds so called for redemption are on deposit with the Paying Agent in the applicable fund or account.

Section 405. Bonds Owned by the Town. Bonds owned by or on behalf of the Town shall not be subject to redemption. At any time the Town may surrender any Bonds owned by or on behalf of the Town to the Paying Agent, which shall promptly cancel such Bonds.

Section 406. No Partial Redemption After Default. Anything in this Ordinance to the contrary notwithstanding, if there shall have occurred and is continuing an Event of Default hereunder of which an officer of the Paying Agent has actual knowledge, there shall be no redemption of less than all of the Bonds at the time Outstanding (other than pursuant to Section 402 hereof).

ARTICLE V

USE OF BOND PROCEEDS AND OTHER MONEYS

Section 501. Disposition of Bond Proceeds. A portion of net proceeds derived from the sale of the Bonds, upon the receipt thereof, shall be credited to the special and separate account hereby created and to be known as the “Town of Castle Rock, Colorado, Water and Sewer Revenue Refunding Bonds, Series 2015, Escrow Account” in an amount sufficient, together with other Town funds available for such purposes, to establish any initial cash balance remaining uninvested, if any, and to effect the Refunding Project. Except as otherwise provided herein, the moneys in the Escrow Account shall be used solely for the purpose of paying the Cost of the Refunding Project. On the date of delivery of the Bonds, the Town shall pay from the net proceeds of the Bonds the premiums payable to the Insurer for its Insurance Policy and to the Surety Provider for its Reserve Fund Insurance Policy.

Section 502. Payment of Expenses. Any moneys remaining after the deposit to the Escrow Account pursuant to Section 501 hereof shall be deposited with the Town and used to defray the administrative costs of the Refunding Project, including, without limitation, amounts to be paid to the Paying Agent, legal fees, accounting fees, financial advisory fees, printing costs and rating fees.

Section 503. Purchaser Not Responsible. The validity of the Bonds is not dependent upon nor affected by the validity or regularity of any proceedings relating to the application of the Bond proceeds. The Purchaser and any subsequent Owners of any of the Bonds are not responsible for the application or disposal by the Town or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys herein designated.

ARTICLE VI

ADMINISTRATION OF AND ACCOUNTING FOR PLEGGED REVENUES

Section 601. Pledge Securing Bonds. Subject only to the right of the Town to cause amounts to be withdrawn and paid on account of Operation and Maintenance Expenses of the System, the Gross Pledged Revenues and, subject to the right of the Town to cause amounts to be withdrawn to pay the Cost of the Refunding Project as provided herein and other than moneys and securities held in the Rebate Fund to the extent such amounts are required to be paid to the United States, all moneys and securities paid or to be paid to or held or to be held in any account under this Article or under Section 501 hereof are hereby pledged to secure the payment of the Bond Requirements of the Outstanding Bonds and to secure the obligations of the Town to pay Policy Costs. The pledge of the Net Pledged Revenues to secure the payment of the Bond Requirements of the Outstanding Bonds and any Parity Bonds is on a parity with the pledge of the Net Pledged Revenues for, and lien thereon of the Parity Bonds heretofore issued and any other Parity Bonds hereafter issued in compliance with the provisions of Article VIII hereof. The pledge of the Net Pledged Revenues to secure the payment of the Policy Costs is subordinate only to the pledge to pay the Bond Requirements with respect to the Bonds and any Parity Bonds. This pledge shall be valid and binding from and after the date of the delivery of the Bonds, and the moneys as received by the Town and hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the Town except any Outstanding Parity Bonds heretofore or hereafter authorized and any Policy Costs as provided herein. The lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Town (except as herein otherwise provided) irrespective of whether such parties have notice thereof.

Section 602. Income Fund Deposits. So long as any of the Bonds shall be Outstanding, as to any Bond Requirements related to the Bonds, the entire Gross Pledged Revenues, upon their receipt from time to time by the Town, shall be set aside and credited immediately to the special and separate account hereby created and to be known as the "Town of Castle Rock, Colorado, Water and Sewer Enterprise Gross Income Fund."

Section 603. Administration of Income Fund. So long as any of the Bonds shall be Outstanding, as to any Bond Requirements related to the Bonds, the following payments shall be made from the Income Fund, as provided in Sections 604 through 611 hereof.

Section 604. Operation and Maintenance Expenses. First, as a first charge on the Income Fund, from time to time there shall continue to be held therein moneys sufficient to pay Operation and Maintenance Expenses, as they become due and payable, and thereupon they shall be promptly paid. Any surplus remaining in the Income Fund at the end of the Fiscal Year and not needed for Operation and Maintenance Expenses shall be used for other purposes of the Income Fund as herein provided.

Section 605. Bond Fund Payments. Second, from any remaining Net Pledged Revenues, there shall be credited, concurrently with amounts required to meet the Bond Requirements for any Outstanding Parity Bonds heretofore or hereafter issued, to the special and separate account hereby created and to be known as the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015, Bond Fund” the following amounts:

A. Interest Payments. Monthly to the Bond Fund, commencing on the first day of the month immediately succeeding the delivery of any of the Bonds, or commencing on the first day of the month six months next prior to the first interest payment date of any of the Bonds, whichever commencement date is later, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the interest due and payable on the Outstanding Bonds on the next succeeding interest payment date.

B. Principal Payments. Monthly to the Bond Fund, commencing on the first day of the month immediately succeeding the delivery of any of the Bonds, or commencing on the first day of the month one year next prior to the first principal payment date of any of the Bonds, whichever commencement date is later, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the principal and redemption premium, if any, due and payable on the Outstanding Bonds on the next succeeding principal payment date.

If prior to any interest payment date or principal payment date, there has been accumulated in the Bond Fund the entire amount necessary to pay the next maturing installment of interest or principal, or both, the payment required in paragraph A or B (whichever is applicable) of this Section 605 may be appropriately reduced; but the required annual amounts again shall be so credited to such account commencing on such interest payment date or principal payment date.

The moneys credited to the Bond Fund shall be used to pay the Bond Requirements of the Bonds then Outstanding, as such Bond Requirements become due, except as provided in Sections 607 and 1301 hereof. No interest or principal shall be paid on any Bonds owned by or on behalf of the Town.

Section 606. Reserve Fund Payments. Upon delivery of the Bonds, the Reserve Fund, if any, shall be funded as provided in the Sale Certificate. Any such Reserve Fund Requirement shall be funded by a deposit in the special and separate account hereby created and to be known as the “Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015 Reserve Fund” in satisfaction of the Reserve Fund Requirement. If the Reserve Fund is funded by the issuance of a Reserve Fund Insurance Policy, such Reserve Fund Insurance Policy shall be held by the Paying Agent. Any Reserve Fund Insurance Policy deposited to the credit of the Reserve Fund shall be valued at the amount available to be drawn or otherwise paid pursuant to such Policy at the time of calculation. The Paying Agent shall maintain adequate records as to the amount available to be drawn at any time under the Reserve Fund Insurance Policy and as to the amounts of Policy Costs paid and owing to the Surety Provider. Such records shall be open to inspection and verification by the Surety Provider during business hours of the Paying Agent.

Thereafter, thirdly, except as provided in Section 607 and 608 hereof, and concurrently with any payments required to be made pursuant to any Parity Bond Ordinances with respect to any reserve funds (including any operation and maintenance reserve funds) which may be, but are not required to be, established thereby and concurrently with any repayment or similar obligations payable to any surety provider issuing any reserve fund insurance policy with respect to any Parity Bonds, from any moneys remaining in the Income Fund there shall be credited to the Reserve Fund monthly, commencing on the first day of the month next succeeding each date on which the moneys accounted for in the Reserve Fund for any reason are less than the Reserve Fund Requirement, such amounts in substantially equal monthly payments on the first day of each month to reaccumulate the Reserve Fund Requirement by not more than 12 such monthly payments. If a Reserve Fund Insurance Policy is on deposit in the Reserve Fund to fund all or a part of the Reserve Fund Requirement, the amounts payable into the Reserve Fund pursuant to the immediately preceding sentence shall be paid by the Town first to the Surety Provider to reimburse it for Policy Costs due and owing and second to replenish cash in the Reserve Fund. If there are insufficient Net Pledged Revenues to comply with the requirements of the first sentence of this paragraph, available Net Pledged Revenues shall be credited or paid to the Reserve Fund and to reserve funds which may be established by any Parity Bond Ordinances (or to the Surety Provider or any other surety provider issuing any reserve fund insurance policy with respect to any Parity Bonds) pro rata, based upon the aggregate principal amount of the Bonds and any such Parity Bonds then Outstanding; provided, however, that compliance with the provisions of this sentence shall not cure any Event of Default caused by non-compliance with the first sentence of this paragraph. If there are insufficient Net Pledged Revenues to comply with the requirements of the first sentence of this paragraph and more than one Reserve Fund Insurance Policy is on deposit in the Reserve Fund, available Net Pledged Revenues credited to or paid to the Reserve Fund shall be applied to reimburse the Surety Provider and any other surety provider providing a Reserve Fund Insurance Policy pro rata, based upon the original amount available to be drawn on each. The Reserve Fund Requirement shall be accumulated and, if necessary, reaccumulated from time to time, in the Reserve Fund from Net Pledged Revenues, except to the extent other moneys are credited to the Reserve Fund, and maintained as a continuing reserve to be used, except as hereinafter provided in Sections 607, 608, 704 and 1301 hereof, only to prevent deficiencies in the payment of the Bond Requirements of the Bonds Outstanding from time to time from the failure to deposit into the Bond Fund sufficient moneys to pay such Bond Requirements as the same accrue and become due. No payment need be made into the Reserve Fund at any time so long as the moneys and/or the Reserve Fund Insurance Policy therein equal not less than the Reserve Fund Requirement and there are no Policy Costs due and owing. The Reserve Fund Requirement shall be re-calculated upon (i) any principal payment, whether at stated maturity or upon redemption, or (ii) the defeasance of all or a portion of the Bonds.

The Town may at any time substitute (a) cash or Investment Securities for a Reserve Fund Insurance Policy or (b) a Reserve Fund Insurance Policy for cash or Investment Securities, so long as the amount on deposit in the Reserve Fund after such substitution is at least equal to the Reserve Fund Requirement. Notwithstanding the foregoing, no Reserve Fund Insurance Policy shall be deposited by the Town in the Reserve Fund for such substitution unless the Town has received an opinion of Bond Counsel to the effect that such substitution and the intended use by the Town of the cash or Investment Securities to be released from the Reserve

Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Section 607. Termination of Deposits. No payment need be made into the Bond Fund or the Reserve Fund if there are no Policy Costs due and owing and if the amount in the Bond Fund and the amount in the Reserve Fund (exclusive of the amount available under a Reserve Fund Insurance Policy) total a sum at least sufficient so that all Bonds Outstanding are deemed to have been paid pursuant to Section 1201 hereof, in which case moneys therein (taking into account the known minimum gain from any investment of such moneys in Investment Securities from the time of any such investment or deposit shall be needed for such payment which will not be designated for transfer to the Rebate Fund) shall be used (together with any such gain from such investments) solely to pay the Bond Requirements of the Outstanding Bonds as the same become due; and any moneys in excess thereof in those two accounts and any other moneys derived from the Net Pledged Revenues or otherwise pertaining to the System may be used to make required payments into the Rebate Fund or in any other lawful manner determined by the Council.

Section 608. Defraying Delinquencies. If at any time the Town shall for any reason fail to pay into the Bond Fund the full amount above stipulated from the Net Pledged Revenues, then an amount shall be paid into the Bond Fund at such time from the Reserve Fund equal to the difference between that paid from the Net Pledged Revenues and the full amount so stipulated. The Town shall use all cash in the Reserve Fund before drawing on a Reserve Fund Insurance Policy. If the Paying Agent determines that it is necessary to draw on the Reserve Fund Insurance Policy, the Paying Agent shall present a demand for payment, in the form and manner required by the Reserve Fund Insurance Policy, at least two days before funds are needed. If there is more than one Reserve Fund Insurance Policy on deposit in the Reserve Fund, the Paying Agent shall draw on them on a pro rata basis, based upon the amount available to be drawn on each.

Any money so used or drawn shall be replaced as provided in Section 606 hereof from the first Net Pledged Revenues thereafter received and not required to be otherwise applied by this Article. Except as provided in Section 606 hereof, the moneys in the Bond Fund and in the Reserve Fund (including any Reserve Fund Insurance Policy) shall be used solely and only for the purpose of paying the Bond Requirements of the Bonds from time to time. If moneys in the Reserve Fund are in excess of the Reserve Fund Requirement at any time, such excess may be transferred by the Town to the Rebate Fund or the Bond Fund.

Section 609. Rebate Fund. Fourth, concurrently with any payments required to be made pursuant to any Parity Bond Ordinances with respect to any rebate funds established thereby, there shall be deposited into the special and separate account hereby created and to be known as the "Town of Castle Rock, Colorado, Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015, Rebate Fund" moneys in the amounts and at the times specified in the Tax Compliance Certificate so as to enable the Town to comply with Section 930 hereof. Amounts on deposit in the Rebate Fund shall not be subject to the lien and pledge of this Ordinance to the extent that such amounts are required to be paid to the United States Treasury. The Town shall cause amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury (at

the address provided in the Tax Compliance Certificate) at the times and in the amounts set forth in the Tax Compliance Certificate.

If the moneys on deposit in the Rebate Fund are insufficient for the purposes thereof, the Town shall transfer moneys in the amount of the insufficiency to the Rebate Fund from the Reserve Fund and the Bond Fund. Upon receipt by the Town of an opinion of Bond Counsel to the effect that the amount in the Rebate Fund is in excess of the amount required to be contained therein, such excess may be transferred to the Income Fund.

Section 610. Payment of Additional Securities. Fifth, and subject to the provisions hereinabove in this Article, but subsequent to the payments required by Sections 605, 606 and 609 hereof, any moneys remaining in the Income Fund may be used by the Town for the payment of Bond Requirements of Subordinate Securities, including reasonable reserves for such Subordinate Securities and for rebate of amounts to the United States Treasury with respect to such Subordinate Securities.

Section 611. Use of Remaining Revenues. After the payments hereinabove required to be made by Sections 602 through 610 hereof are made, any remaining Net Pledged Revenues in the Income Fund shall be used, firstly, for any one or any combination of necessary purposes relating to the operation, improvement or debt management of the System and, secondly, to the extent of any remaining surplus, for any one or any combination of lawful purposes as the Council may from time to time conclusively determine.

Section 612. Maintenance of Escrow Account. The Escrow Account shall be maintained in an amount at the time of those initial deposits therein and at all times subsequently at least sufficient, together with the known minimum yield to be derived from the initial investment and any temporary reinvestment of the deposits therein or any part thereof in Federal Securities to pay the principal of and interest on the Refunded Bonds on and after the delivery of the bonds to and including the first available Redemption Date for the Refunded Bonds. The form, terms and provisions of the Escrow Agreement are hereby approved in substantially the form as on file with the Clerk, and the Mayor, Town Manager or the Finance Director and Clerk are hereby authorized to execute and deliver the Escrow Agreement.

Section 613. Use of Escrow Account. Moneys shall be withdrawn by the Escrow Bank from the Escrow Account in sufficient amounts and at such times to permit the payment without default of the principal of and interest on the Refunded Bonds and after the delivery of the Bonds to and including the first available Redemption Date for the Refunded Bonds. Any moneys remaining in the Escrow Account after provision shall have been made for the payment in full of the Refunded Bonds shall be applied to any lawful purpose of the Town as the Council may hereafter determine.

ARTICLE VII

GENERAL ADMINISTRATION

Section 701. Administration of Accounts. The special accounts designated in Articles V and VI hereof shall be administered as provided in this Article (but not any account under Section 1201 hereof).

Section 702. Places and Times of Deposits. Except as hereinafter provided, each of such special accounts shall be maintained by the Town as a book account and kept separate from all other accounts as a trust account solely for the purposes herein designated therefor. The moneys accounted for in such special book accounts may be in one or more bank accounts in one or more Commercial Banks. Each such bank account shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds and shall be irrevocable and not withdrawable by anyone for any purpose other than the respective designated purposes. Each periodic payment shall be credited to the proper book account not later than the date therefor herein designated, except that when any such date shall not be a Business Day, then such payment shall be made on or before the next preceding Business Day. Moneys shall be deposited with the Paying Agent for the Bonds not less than three Business Days prior to each interest payment date and each maturity or mandatory Redemption Date in immediately available amounts sufficient to pay the Bond Requirements then becoming due on the Outstanding Bonds.

Section 703. Investment of Moneys. Any moneys in the, Income Fund, Bond Fund, Reserve Fund and Rebate Fund and not needed for immediate use shall be invested or reinvested by the Finance Director in Investment Securities. All such investments shall (a) either be subject to redemption at any time at a fixed value by the holder thereof at the option of such holder, or (b) mature not later than the estimated date or respective dates on which the proceeds are to be expended as estimated by the Finance Director at the time of such investment or reinvestment; provided that (1) Investment Securities credited to the Reserve Fund shall not mature later than ten years from the date of such investment or reinvestment and (2) collateral securities of any Investment Securities may have a maturity of more than five years from the date of purchase thereof. For the purpose of any such investment or reinvestment, Investment Securities shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations.

Section 704. Accounting for Investments. The Investment Securities so purchased as an investment or reinvestment of moneys in any such account hereunder shall be deemed at all times to be a part of the account. Any interest or other gain from any investments and reinvestments of moneys accounted for in the Income Fund, the Bond Fund and the Rebate Fund shall be credited to such Fund, and any loss resulting from any such investments or reinvestments of moneys accounted for in the Income Fund, the Bond Fund, the Reserve Fund and the Rebate Fund shall be charged or debited to such Fund. Any interest or other gain from any investment or reinvestment of moneys accounted for in the Reserve Fund (a) shall be credited to the Rebate Fund or the Bond Fund, at the discretion of the Finance Director, if the amount credited to the Reserve Fund immediately after such credit to the Rebate Fund or the Bond Fund is not less than the Reserve Fund Requirement and (b) if the amount credited to the

Reserve Fund is less than the Reserve Fund Requirement, shall be credited to the Reserve Fund (up to the amount of the deficiency). No loss or profit in any account on any investments or reinvestments in Investment Securities shall be deemed to take place as a result of market fluctuations of the Investment Securities prior to the sale or maturity thereof. In the computation of the amount in any account for any purpose hereunder, except as herein otherwise expressly provided or for rebate purposes, as described in the Tax Compliance Certificate, Investment Securities shall be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation); provided that any time or demand deposits shall be valued at the amounts deposited, in each case exclusive of any accrued interest or any other gain to the Town until such gain is realized by the presentation of matured coupons for payment or otherwise.

Section 705. Redemption or Sale of Investment Securities. The Finance Director shall present for redemption or sale on the prevailing market at the best price obtainable any Investment Securities so purchased as an investment or reinvestment of moneys in the account whenever it shall be necessary in order to provide moneys to meet any withdrawal, payment or transfer from such account. Neither the Finance Director or any other officer or employee of the Town shall be liable or responsible for any loss resulting from any such investment or reinvestment made in accordance with this Ordinance.

Section 706. Character of Funds. The moneys in any account designated in Articles V and VI hereof shall consist either of lawful money of the United States or Investment Securities, or both such money and such Investment Securities; provided that moneys in the Escrow Account shall be invested as provided in the Escrow Agreement. Moneys deposited in a demand or time deposit account in a bank or savings and loan association, appropriately secured according to the laws of the State, shall be deemed lawful money of the United States.

Section 707. Payment of Bond Requirements. The moneys credited to any fund or account designated in Article VI hereof for the payment of the Bond Requirements of any Bonds shall be used without requisition, voucher, warrant, further order or authority (other than is contained herein), or any other preliminaries, to pay promptly the Bond Requirements of any Bonds payable from such fund or account as such amounts are due, except to the extent any other moneys are available therefor.

ARTICLE VIII

SECURITIES LIENS AND ADDITIONAL SECURITIES

Section 801. Lien Status. The Bonds constitute an irrevocable lien (but not necessarily an exclusive such lien) upon the Net Pledged Revenues on a parity with the lien of the Net Pledged Revenues of the Parity Bonds. The Policy Costs constitute an irrevocable and subordinate lien (but not necessarily an exclusive subordinate lien) upon the Net Pledged Revenues.

Section 802. Equality of Bonds. The Bonds and any Parity Bonds heretofore issued or hereafter authorized to be issued and from time to time Outstanding are equitably and ratably secured by a lien on the Net Pledged Revenues and shall not be entitled to any priority one over the other in the application of the Net Pledged Revenues regardless of the time or times of the issuance of the Bonds and any other such Parity Bonds, it being the intention of the Council that there shall be no priority among the Bonds and any such Parity Bonds regardless of the fact that they may be actually issued and delivered at different times, except that (a) moneys in the Bond Fund and Reserve Fund shall secure only the Bonds and the moneys in any acquisition, bond, reserve or similar funds established for other Parity Bonds shall secure only such Parity Bonds and (b) other Parity Bonds may have a lien on Net Pledged Revenues on a parity with lien thereon of the Bonds even if no reserve fund is established for such Parity Bonds or a reserve fund is established but with a different requirement as to the amount of moneys (or the value of a reserve fund insurance policy with respect to such Parity Bonds) required to be on deposit therein or the manner in which such reserve fund is funded or the period of time over which such reserve fund is funded or additional or separate revenues are also pledged to such Parity Bonds.

Section 803. Issuance of Parity Bonds. Nothing herein prevents the issuance by the Town of additional securities payable from the Net Pledged Revenues and constituting a lien thereon on a parity with, but not prior nor superior to, the lien thereon of the Bonds; but before any such additional Parity Bonds, except as provided in Section 808 hereof, are authorized or actually issued:

A. Absence of Default. At the time of the adoption of the ordinance authorizing the issuance of the additional securities, the Town shall not be in default in making any payments required by Article VI hereof, including any payments of Policy Costs.

B. Historic Earnings Test. The Net Pledged Revenues derived in any consecutive twelve month period within the eighteen months immediately preceding the date of issuance of the additional Parity Bonds shall be not less than 120% of the Combined Maximum Principal and Interest Requirements of the Outstanding Bonds, any Outstanding Parity Bonds and the Parity Bonds proposed to be issued and 100% of the Policy Costs then due and owing, if any, except as hereinafter otherwise expressly provided.

C. Adjustment of Gross Pledged Revenues. In any computation under paragraph B of this Section, the amount of the Gross Pledged Revenues for the applicable period

shall be decreased and may be increased by the amount of loss or gain conservatively estimated by an Independent Accountant, Independent Engineer or the Finance Director, as the case may be, which results from any changes which became effective not less than 60 days prior to the last day of the period for which Gross Pledged Revenues are determined in any schedule of fees, rates and other charges constituting Gross Pledged Revenues based on the number of users during the applicable period as if such modified schedule of fees, rates and other charges shall have been in effect during such entire time period. However, the Gross Pledged Revenues need not be decreased by the amount of any such estimated loss to the extent the Independent Accountant, the Independent Engineer or the Finance Director estimates the loss is temporary in nature or will be offset within a reasonable temporary period by an increase in revenues or a reduction in Operation and Maintenance Expenses not otherwise included in the calculations under this Section, and estimates any loss under this sentence will not at any time materially and adversely affect the Town's apparent ability to comply with the rate maintenance covenant stated in Section 921 hereof without modification because of any restrictive legislation, regulation or other action under the police power exercised by any governmental body.

D. Reduction of Annual Requirements. The respective annual Bond Requirements (including as such a requirement the amount of any prior redemption premiums due on any Redemption Date) shall be reduced to the extent such Bond Requirements are scheduled to be paid in each of the respective Fiscal Years with moneys held in trust or in escrow for that purpose by any Trust Bank, including the known minimum yield from any investment in Federal Securities and any bank deposits, including any certificate of deposit.

E. Consideration of Additional Expenses. In determining whether or not additional Parity Bonds may be issued as aforesaid, consideration shall be given to any probable increase (but not reduction) in the Operation and Maintenance Expenses of the System as estimated by the Finance Director that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional securities; but the Finance Director may reduce any such increase in Operation and Maintenance Expenses by the amount of any increase in revenues or any reduction in Operation and Maintenance Expenses resulting from the Capital Improvements to which such expenditure relates and not otherwise included in the calculations under this Section, if the Finance Director also opines that any such reduction in any such increase in Operation and Maintenance Expenses will not materially and adversely affect the Town's apparent ability to comply with the rate maintenance covenant stated in Section 921 hereof without modification because of any restrictive legislation, regulation or other action under the police power exercised by any governmental body.

Section 804. Certification of Revenues. A written certificate or written opinion by the Finance Director under Section 803 B that such annual revenues, when adjusted as hereinabove provided in paragraphs C, D, and E of Section 803 hereof, are sufficient to pay such amounts, as provided in paragraph B of Section 803 hereof, shall be conclusively presumed to be accurate in determining the right of the Town to authorize, issue, sell and deliver additional securities on a parity with the Bonds.

Section 805. Subordinate Securities Permitted. Nothing herein prevents the Town from issuing additional securities payable from the Net Pledged Revenues and having a lien thereon subordinate, inferior and junior to the lien thereon of the Bonds.

Section 806. Superior Securities Prohibited. Nothing herein permits the Town to issue additional securities payable from the Net Pledged Revenues and having a lien thereon prior and superior to the lien thereon of the Bonds.

Section 807. Use of Proceeds. The proceeds of any additional Parity Bonds or other securities payable from any Net Pledged Revenues shall be used only to finance Capital Improvements or to refund all or a portion of the Bonds, Parity Bonds or other securities payable from Net Pledged Revenues, regardless of the priority or the lien of such securities on Net Pledged Revenues.

Section 808. Issuance of Refunding Securities. The Town may issue any refunding securities payable from Net Pledged Revenues to refund any Outstanding Bonds, Parity Bonds or any subordinate securities heretofore or hereafter issued, with such details as the Council may by ordinance provide so long as there is no impairment of any contractual obligation imposed upon the Town by any proceedings authorizing the issuance of any unrefunded portion of such Outstanding securities of any one or more issues; but so long as the Bonds, or any part thereof, are Outstanding, refunding securities payable from Net Pledged Revenues may be issued on a parity with the unrefunded Bonds only if:

A. Prior Consent. The Town first receives the consent of the Owner or Owners of the unrefunded portion of the Bonds; or

B. Requirements Not Increased. The Combined Maximum Annual Principal and Interest Requirements for the Bonds and Parity Bonds Outstanding immediately after the issuance of the refunding securities is not greater than the Combined Maximum Annual Principal and Interest Requirements for all Bonds and Parity Bonds Outstanding immediately prior to the issuance of the refunding securities and the lien of any refunding Parity Bonds on the Net Pledged Revenues is not raised to a higher priority than the lien thereon of any securities thereby refunded; or

C. Earnings Test. The refunding securities are issued in compliance with Section 803 B hereof.

ARTICLE IX

PROTECTIVE COVENANTS

Section 901. General. The Town hereby covenants and agrees with the Owners of the Bonds and makes provisions which shall be a part of its contract with such Owners to the effect and with the purpose set forth in the following Sections of this Article.

Section 902. Performance of Duties. The Town, acting by and through the Council or otherwise, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Gross Pledged Revenues and the System required by the Constitution and laws of the State and the Charter and various ordinances of the Town, including, without limitation, the making and collection of reasonable and sufficient fees, rates and other charges for services rendered or furnished by or the use of the System, as herein provided, and the proper segregation of the proceeds of the Bonds and of any securities hereafter authorized and the Gross Pledged Revenues and their application from time to time to the respective accounts provided therefor.

Section 903. Contractual Obligations. The Town shall perform all contractual obligations undertaken by it under any agreements relating to the Bonds, the Gross Pledged Revenues, the Refunding Project, or the System, or any combination thereof, with any other Persons.

Section 904. Further Assurances. At any and all times the Town shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents and assurances as may be reasonably necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Gross Pledged Revenues and other moneys and accounts hereby pledged or assigned, or intended so to be, or which the Town may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of this Ordinance and to comply with any instrument of the Town amendatory thereof, or supplemental thereto and the Charter. The Town, acting by and through the Council, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Gross Pledged Revenues and other moneys and accounts pledged hereunder and all the rights of every Owner of any Bond hereunder against all claims and demands of all Persons whomsoever.

Section 905. Conditions Precedent. Upon the date of issuance of the Bonds, all conditions, acts and things required by the Federal or State Constitution, the Charter of the Town, the Supplemental Public Securities Act and this Ordinance, or any other applicable law, to exist, to have happened and to have been performed precedent to or in the issuance of the Bonds shall exist, have happened, and have been performed; and the Bonds, together with all other obligations of the Town, shall not contravene any debt or other limitation prescribed by the State Constitution or the Charter of the Town.

Section 906. Efficient Operation and Maintenance. The Town shall at all times operate the System properly and in a sound and economical manner; and the Town shall

maintain, preserve and keep the same properly or cause the same so to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof in good repair, working order and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted. All salaries, fees, wages and other compensation paid by the Town in connection with the maintenance, repair and operation of the System shall be reasonable and proper.

Section 907. Rules, Regulations and Other Details. The Town, acting by and through the Council, shall establish and enforce reasonable rules and regulations governing the operation, use and services of the System. The Town shall observe and perform all of the terms and conditions contained in this Ordinance and the Charter, and shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the System or to the Town.

Section 908. Payment of Governmental Charges. The Town shall pay or cause to be paid all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the System, or upon any part thereof, or upon any portion of the Gross Pledged Revenues, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the System or any part thereof, except for any period during which the same are being contested in good faith by proper legal proceedings. The Town shall not create or suffer to be created any lien upon the System, or any part thereof, or upon the Gross Pledged Revenues, except the pledge and lien created by this Ordinance for the payment of the Bond Requirements of the Bonds and except as herein otherwise permitted. The Town shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System, or any part thereof, or the Gross Pledged Revenues; but nothing herein requires the Town to pay or cause to be discharged or to make provision for any such tax, assessment, lien or charge, so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Section 909. Protection of Security. The Town, the officers, agents and employees of the Town, and the Council shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the Bonds and any other securities payable from the Net Pledged Revenues or any Policy Costs relating thereto according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Owner of any Bond or other security payable from Net Pledged Revenues or any Policy Costs relating thereto might be prejudicially and materially impaired or diminished.

Section 910. Prompt Payment of Bonds. The Town shall promptly pay the Bond Requirements of the Bonds at the places, on the dates and in the manner specified herein and in the Bonds according to the true intent and meaning hereof.

Section 911. Use of Bond and Reserve Funds. The Bond Fund and the Reserve Fund shall be used solely and only and the moneys credited to such accounts are hereby pledged

for the purpose of paying the Bond Requirements of the Bonds to their respective maturities or any Redemption Date or Dates, subject to the provisions of Sections 606, 607, 608, 704 and 1301 hereof.

Section 912. Other Liens. Other than as provided herein, there are no liens or encumbrances of any nature whatsoever on or against the System, or any part thereof, or on or against the Gross Pledged Revenues on a parity with or superior to the lien thereon of the Bonds.

Section 913. Corporate Existence. The Town shall maintain its corporate identity and existence so long as any of the Bonds remain Outstanding, unless another body corporate and politic by operation of law succeeds to the powers, privileges, rights, liabilities, disabilities, duties and immunities of the Town and is obligated by law to operate and maintain the System and to fix and collect the Gross Pledged Revenues as herein provided without adversely and materially affecting at any time the privileges and rights of any Owner of any Outstanding Bond.

Section 914. Disposal of System Prohibited. Except for the use of the System and services pertaining thereto in the normal course of business, or as provided in Section 915 hereof, neither all nor a substantial part of the System shall be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of, until all the Bonds have been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the Bonds have otherwise been redeemed, including, without limitation, the termination of the pledge as herein authorized; and the Town shall not dispose of its title to the System or to any useful part thereof, including any property necessary to the operation and use of the System and the lands and interests in lands comprising the sites of the System, except as provided in Section 915 hereof.

Section 915. Disposal of Unnecessary Property. The Town at any time and from time to time may sell, exchange, lease or otherwise dispose of any property constituting a part of the System and not useful in the construction, reconstruction or operation thereof, or which shall cease to be necessary for the efficient operation of the System, or which shall have been replaced by other property of at least equal value. Any proceeds of any such sale, exchange or other disposition received and not used to replace such property so sold or so exchanged or otherwise so disposed of, shall be deposited by the Town in the Income Fund or into a special book account for the betterment, enlargement, extension, other improvement and equipment of the System, or any combination thereof, as the Council may determine, provided that any proceeds of any such lease received shall be deposited by the Town as Gross Pledged Revenues in the Income Fund.

Section 916. Competing System. So long as any of the Bonds are Outstanding, the Town shall not grant any franchise or license to any competing facilities so that the Gross Pledged Revenues shall not be sufficient to satisfy the covenant in Section 921 hereof.

Section 917. Loss From Condemnation. If any part of the System is taken by the exercise of the power of eminent domain, the amount of any award received by the Town as a result of such taking shall be paid into the Income Fund or into a capital improvement account pertaining to the System for the purposes thereof, or, applied to the redemption of the

Outstanding Bonds and any Outstanding Parity Bonds relating thereto, all as the Town may determine.

Section 918. Employment of Management Engineers. If the Town defaults in paying the Bond Requirements of the Bonds and any other securities or Policy Costs relating thereto payable from the Gross Pledged Revenues promptly as the same fall due, or in the keeping of any covenants herein contained, and if such default continues for a period of 60 days, or if the Net Pledged Revenues in any Fiscal Year fail to equal at least the amount of the Bond Requirements of the Outstanding Bonds, Parity Bonds, and any other securities (including all reserves therefor specified in the authorizing proceedings, including, without limitation, this Ordinance) or Policy Costs relating thereto payable from the Net Pledged Revenues in that Fiscal Year, the Town shall retain a firm of competent management engineers skilled in the operation of such facilities to assist the management of the System so long as such default continues or so long as the Net Pledged Revenues are less than the amount hereinabove designated in this Section.

Section 919. Budgets. The Council and officials of the Town shall annually and at such other times as may be provided by law prepare and adopt a budget pertaining to the System.

Section 920. Reasonable and Adequate Charges. While the Bonds remain Outstanding and unpaid, the fees, rates and other charges due to the Town for the use of or otherwise pertaining to and services rendered by the System to the Town, to its inhabitants and to all other users within and without the boundaries of the Town shall be reasonable and just, taking into account and consideration public interests and needs, the cost and value of the System, the Operation and Maintenance Expenses thereof, and the amounts necessary to meet the Bond Requirements of all Bonds and any other securities payable from the Net Pledged Revenues, including, without limitation, reserves and any replacement accounts therefor.

Section 921. Adequacy and Applicability of Charges. There shall be charged against users of service pertaining to and users of the System, including the Town, except as provided by Section 922 hereof, such fees, rates and other charges so that the Gross Pledged Revenues shall be adequate to meet the requirements of this and the preceding Sections hereof. Such charges pertaining to the System shall be at least sufficient so that the Gross Pledged Revenues annually are sufficient to pay in each Fiscal Year:

A. Operation and Maintenance Expenses. An amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year,

B. Principal and Interest. An amount equal to 120% of both the principal and interest on the Bonds and any Parity Bonds then Outstanding payable from the Net Pledged Revenues in that Fiscal Year (excluding the reserves therefor). For the purpose of establishing the fees, rates and other charges for the use of the System to comply with this paragraph, interest on the Bonds which is not established for the entire next succeeding Fiscal Year shall be assumed to equal the average interest rate borne by the Bonds for the preceding Fiscal Year or, with respect to the first Fiscal Year in which the Bonds are Outstanding, at the initial rate borne by the Bonds. If any parity Variable Rate Bonds or parity Balloon Bonds are Outstanding, the

amount of principal and interest or similar payments with respect to such parity Variable Rate Bonds or parity Balloon Bonds due in such Fiscal Year shall be the amount specified in the ordinance pursuant to which such parity Variable Rate Bonds or parity Balloon Bonds are authorized; and

C. Deficiencies. Any amounts required to pay all Policy Costs, if any, due and owing and all sums, if any, due and owing to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable therefrom.

Section 922. Limitations Upon Free Service. No free service or facilities shall be furnished by the System, except as hereinafter provided. If the Town elects to use for municipal purposes any water, water facilities, sanitary sewer facilities, or other services and facilities provided by the System or otherwise to use the System or any part thereof, any such use will be paid for from the Town's general fund or from other available revenues other than Gross Pledged Revenues at the reasonable value of the use so made; provided that the Town need not pay for any such use by the Town of any facilities of the water and sanitary sewer system for fire protection purposes. All the income so derived from the Town shall be deemed to be income derived from the operation of the System, to be used and to be accounted for in the same manner as any other income derived from the operation of the System. Nothing in this Ordinance prohibits the Town from waiving any tap fee or development fee imposed as a condition for a user to connect to the System, so long as the user is a governmental body.

Section 923. Levy of Charges. The Town shall forthwith and in any event prior to the delivery of any of the Bonds, fix, establish and levy the fees, rates and other charges which are required by Section 921 of this Ordinance, if such action is necessary therefor. No reduction in any initial or existing rate schedule for the System may be made:

A. Proper Application. Unless the Town has fully complied with the provisions of Article VI of this Ordinance for at least the full Fiscal Year immediately preceding such reduction of the initial or any other existing rate schedule; and

B. Sufficient Revenues. Unless the audit required by the Independent Accountant by Section 927 hereof for the full Fiscal Year immediately preceding such reduction discloses that the estimated revenues resulting from the proposed rate schedule for the System, after the schedule's proposed reduction, shall be at least sufficient to produce the amounts required by Section 921 hereof.

Section 924. Collection of Charges. The Town shall cause all fees, rates and other charges pertaining to the System to be collected as soon as is reasonable, shall reasonably prescribe and enforce rules and regulations or impose contractual obligations for the payment of such charges, and for the use of the System, and shall provide methods of collection and penalties, to the end that the Gross Pledged Revenues shall be adequate to meet the requirements of this Ordinance and any other ordinance supplemental thereto.

Section 925. Procedure for Collecting Charges. All bills for water services or facilities, sanitary sewer services and all other services or facilities furnished or served by or through the System shall be rendered to customers on a regularly established basis. The fees,

rates and other charges due shall be collected in a lawful manner, including, without limitation, discontinuance of service.

Section 926. Maintenance of Records. So long as any of the Bonds and any other Parity Bonds payable from the Gross Pledged Revenues remain Outstanding, proper books of record and account shall be kept by the Town, separate and apart from all other records and accounts.

Section 927. Audits Required. The Town, within 60 days following the close of each Fiscal Year, shall order an audit for the Fiscal Year of such books and accounts to be made forthwith by an Independent Accountant, and order an audit report showing the receipts and disbursements for each account pertaining to the System and the Gross Pledged Revenues.

Section 928. Accounting Principles. System records and accounts, and audits thereof, shall be currently kept and made, as nearly as practicable, in accordance with the then generally accepted accounting principles, methods and terminology followed and construed for utility operations comparable to the System, except as may be otherwise provided herein or required by applicable law or regulation or by contractual obligation existing on the effective date of this Ordinance.

Section 929. Insurance and Reconstruction. Except to the extent of any self-insurance, the Town shall at all times maintain with responsible insurers fire and extended coverage insurance, worker's compensation insurance, public liability insurance and all such other insurance as is customarily maintained with respect to utilities of like character against loss of or damage to the System and against loss of revenues and against public and other liability to the extent reasonably necessary to protect the interests of the Town and of each Owner of a Bond. If any useful part of the System shall be damaged or destroyed, the Town shall, as expeditiously as may be possible, commence and diligently proceed with the repair or replacement of the damaged property so as to restore the same to use. The proceeds of any such insurance shall be payable to the Town and (except for proceeds of any use and occupancy insurance) shall be applied to the necessary costs involved in such repair and replacement and to the extent not so applied shall (together with the proceeds of any such use and occupancy insurance) be deposited in the Income Fund by the Town as revenues derived from the operation of the System. If the costs of such repair and replacement of the damaged property exceed the proceeds of such insurance available for the payment of the same, moneys in the Income Fund shall be used to the extent necessary for such purposes, as permitted by Section 611 hereof.

Section 930. Federal Income Tax Exemption. The Town covenants for the benefit of the Owners of the Bonds at any time Outstanding that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds reasonably expected to be used to pay the principal of or interest on the Bonds, or any other funds of the Town, or any facilities financed or refinanced with the proceeds of the Bonds if such action or omission (a) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (b) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code, except to the extent such interest is required to be included in the current earnings adjustment applicable to corporations in calculating the corporate alternative

minimum tax or (c) cause interest to be included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Town in fulfilling the above covenant under the Code and Colorado law have been met.

Section 931. Continuing Disclosure. The Town shall comply with the provisions of the Continuing Disclosure Certificate. Any failure by the Town to perform in accordance with this Section shall not constitute an Event of Default under this Ordinance, and the rights and remedies provided by this Ordinance upon the occurrence of an Event of Default shall not apply to any such failure. The Paying Agent shall not have any power or duty to enforce this Section. No Owner of a Bond shall be entitled to damages for the Town's non-compliance with its obligations under this Section.

ARTICLE X

PRIVILEGES, RIGHTS AND REMEDIES

Section 1001. Owners' Remedies. Each Owner of any Bond shall be entitled to all of the privileges, rights and remedies provided or permitted in the Charter and this Ordinance, and as otherwise provided or permitted by law or in equity or by any statutes, except as provided in Sections 202 through 206 hereof, but subject to the provisions herein concerning the pledge of and the covenants and the other contractual provisions concerning the Gross Pledged Revenues and the proceeds of the Bonds.

Section 1002. Right to Enforce Payment. Nothing in this Article affects or impairs the right of any Owner of any Bond to enforce the payment of the Bond Requirements due in connection with his or her Bond or the obligation of the Town to pay the Bond Requirements of each Bond to the Owner thereof at the time and the place expressed in the Bond.

Section 1003. Events of Default. Each of the following events is hereby declared an "Event of Default," provided however, that in determining whether a payment default has occurred pursuant to paragraphs A or B of this Section, no effect shall be given to payments made under the Insurance Policy:

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

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

C. Cross Defaults. The occurrence and continuance of an "event of default," as defined in any Parity Bond Ordinance;

D. Failure to Reconstruct. The Town unreasonably delays or fails to carry out with reasonable dispatch the reconstruction of any part of the System which is destroyed or damaged and is not promptly repaired or replaced (whether such failure promptly to repair the same is due to impracticability of such repair or replacement or is due to a lack of moneys therefor or for any other reason), but it shall not be an Event of Default if such reconstruction is not essential to the efficient operation of the System;

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

F. Default Under Insurance Agreement. If an event of default shall have occurred and be continuing under the provisions of the Insurance Agreement; and

G. Default of Any Provision. The Town defaults in the due and punctual performance of any other of the representations, covenants, conditions, agreements and other provisions contained in the Bonds or in this Ordinance on its part to be performed (other than Section 931 hereof), and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the Town and the Insurer specifying the failure and requiring that it be remedied, which notice may be given by the Paying Agent in its discretion and shall be given by the Paying Agent at the written request of the Owners of not less than 25 percent in aggregate principal amount of Bonds then Outstanding.

Section 1004. Remedies for Defaults. Upon the happening and continuance of any Event of Default, the Owner or Owners of not less than 66% principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the Town and its agents, officers and employees to protect and to enforce the rights of any Owner of Bonds under this Ordinance by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or in an award of execution of any power herein granted for the enforcement of any proper legal or equitable remedy as such Owner or Owners may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any Owner of any Bond, or to require the Town to act as if it were the trustee of an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the Bonds and any other Parity Bonds.

Section 1005. Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of such Owners hereunder, the consent to any such appointment being hereby expressly granted by the Town, may enter and may take possession of the System, may operate and maintain the same, may prescribe fees, rates and other charges, and may collect, receive and apply all Gross Pledged Revenues arising after the appointment of such receiver in the same manner as the Town itself might do.

Section 1006. Rights and Privileges Cumulative. The failure of any Owner of any Outstanding Bond to proceed in any manner herein provided shall not relieve the Town, or any of its officers, agents or employees of any liability for failure to perform or carry out any duty, obligation or other commitment. Each right or privilege of any such Owner (or trustee thereof) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof.

Section 1007. Duties upon Defaults. Upon the happening of any Event of Default, the Town shall do and perform all proper acts on behalf of and for the Owners of Bonds to protect and to preserve the security created for the payment of the Bonds and to insure the payment of the Bond Requirements promptly as the same become due. While any Event of Default exists, except to the extent it may be unlawful to do so, all Gross Pledged Revenues shall be paid into the Bond Fund and into bond or similar funds established for other Parity Bonds then Outstanding, pro rata based upon the aggregate principal amount of the Bonds and Parity Bonds then Outstanding. If the Town fails or refuses to proceed as in this Section provided, the

Owner or Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the Owners of the Bonds as hereinabove provided, and to that end any such Owners of the Outstanding Bonds shall be subrogated to all rights of the Town under any agreement, lease or other contract involving the System or the Gross Pledged Revenues entered into prior to the effective date of this Ordinance or thereafter while any of the Bonds are Outstanding.

ARTICLE XI

AMENDMENT OF ORDINANCE

Section 1101. Privilege of Amendments.

A. Except as hereafter provided, this Ordinance may be amended or supplemented by ordinances adopted by the Council in accordance with law, including the Charter, without receipt by the Town of any additional consideration, but with the written consent of the Owners of not less than 66% in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such amendatory or supplemental ordinance excluding, pursuant to Section 101 B hereof, any Bonds which may then be held or owned for the account of the Town. Notwithstanding the foregoing, no such ordinance shall permit:

- (1) Changing Payment. A change in the maturity, terms of redemption or interest payment of any Outstanding Bond; or
- (2) Reducing Return. A reduction in the principal amount of any Bond or the rate of interest thereon, without the consent of the Owner of the Bond; or
- (3) Prior Lien. The creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by this Ordinance; or
- (4) Modifying Any Bond. A reduction of the principal amount or percentages or otherwise affecting the description of Bonds the consent of the Owners of which is required for any such modification or amendment; or
- (5) Priorities Between Bonds The establishment of priorities as between Bonds issued and Outstanding; or
- (6) Modification of Less Than All the Bonds. The modification of or otherwise affecting the rights of the Owners of less than all of the Outstanding Bonds.

B. Notwithstanding the foregoing provisions of this Section, this Ordinance and the rights and obligations of the Town and of the Owners of the Bonds may also be modified or amended at any time, without the consent of any Owners of the Bonds, but only to the extent permitted by law and only for any or all of the following purposes:

- (1) to add to the covenants and agreements of the Town in this Ordinance contained other covenants and agreements thereafter to be observed;
- (2) to subject to the covenants and agreements of the Town in this Ordinance additional System revenues, to be defined and treated as Gross Pledged Revenues, for the purpose of providing additional security for the Bonds and any Parity Bonds;
- (3) in connection with the provision of a Reserve Fund Insurance Policy subsequent to the issuance of the Bonds;

(4) to provide for the appointment of a new Paying Agent; or

(5) to make such provisions for the purpose of curing any ambiguity or of curing or correcting any formal defect or omission in this Ordinance, or in regard to questions arising under this Ordinance, as the Town may deem necessary or desirable, and which shall not adversely affect the interests of the Owners of the Bonds.

Section 1102. Notice of Amendment. Whenever the Council proposes to amend or modify this Ordinance under the provisions of this Article, it shall cause notice of the proposed amendment to be mailed to Owners of all Outstanding Bonds at their addresses as the same last appear on the registration records maintained by the Paying Agent and to the Insurer. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory ordinance is on file in the office of the Clerk for public inspection. Notice of the proposed amendment, together with a copy of the proposed amendatory ordinance, shall be delivered to the Rating Agencies then maintaining a rating on the Bonds at least 15 days in advance of the adoption of the amendment. A full transcript of all proceedings relating to the execution of such amendatory ordinance shall be provided to the Insurer.

Section 1103. Time for Amendment. If the Ordinance is required to be consented to by the Owners of the Bonds, whenever at any time within one year from the date of the giving of such notice there shall be filed with the Clerk an instrument or instruments executed by the Owners of at least 66% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory ordinance described in such notice and shall specifically consent to and approve the adoption of such ordinance, the Council may adopt such amendatory ordinance and such ordinance shall become effective. If the ordinance is not required to be consented to by the Owners of the Bonds, the amendatory ordinance may be adopted by the Council at any time.

Section 1104. Binding Consent to Amendment. If the Owners of not less than 66% in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such amendatory ordinance requiring consent of the Owners of the Bonds, or the predecessors in title of such Owners, shall have consented to and approved the adoption thereof as herein provided, no Owner of any Bond, whether or not such Owner shall have consented to or shall have revoked any consent as in this Article provided, shall have any right or interest to object to the adoption of such amendatory ordinance or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Town from taking any action pursuant to the provisions thereof.

Section 1105. Time Consent Binding. Any consent given by the Owner of a Bond pursuant to the provisions of this Article shall be irrevocable for a period of 6 months from the date of the giving of the notice above provided for and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after 6 months from the date of such giving of such notice by the Owner who gave such consent or by a successor in title by filing notice of such revocation with the Clerk, but such revocation shall not be effective if the Owners of not less than 66% in aggregate principal

amount of the Bonds Outstanding as in this Article provided, prior to the attempted revocation, consented to and approved the amendatory ordinance referred to in such revocation.

Section 1106. Unanimous Consent. Notwithstanding anything in the foregoing provisions of this Article, the terms and provisions of this Ordinance or of any ordinance amendatory thereof or supplemental thereto and the rights and the obligations of the Town and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption by the Town and upon the filing with the Clerk of an ordinance to that effect and with the consent of the Insurer and of the Owners of all the then Outstanding Bonds, such consent to be given as provided in Section 1103 hereof; and no notice to Owners of Bonds shall be required as provided in Section 1102 hereof, nor shall the time of consent be limited except as may be provided in such consent.

Section 1107. Exclusion of Town's Bonds. At the time of any consent or of other action taken under this Article, the Town shall furnish to the Clerk a certificate of the Finance Director, upon which the Town may rely, describing all Bonds to be excluded for the purpose of consent or of other action or of any calculation of Outstanding Bonds provided for in this Article, and the Town shall not be entitled with respect to such Bonds to give any consent or to take any other action provided for in this Article, as provided in Section 101 B hereof.

Section 1108. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in this Article provided may bear a notation by endorsement or otherwise in form approved by the Council as to such action; and after the approval of such notation, then upon demand of the Owner of any Bond Outstanding and upon presentation of his or her Bond for that purpose at the principal office of the Paying Agent, suitable notation shall be made on such Bond by the Paying Agent as to any such action. If the Council so determines, new Bonds, so modified as in the opinion of the Council conform to such action, shall be prepared, executed, authenticated and delivered; and upon demand of the Owner of any Bond then Outstanding, shall be exchanged without cost to such Owner for Bonds then Outstanding upon surrender of such Bonds.

Section 1109. Proof of Instruments and Bonds. The fact and date of execution of any instrument under the provisions of this Article, the amount and number of the Bonds held by any Person executing such instrument, and the date of his or her holding the same may be proved as provided by Section 1203 hereof.

Section 1110. Copies of Supplemental Ordinances to Rating Agencies. Copies of any supplemental or amendatory ordinance shall be sent by the Town to the Rating Agencies at least 10 days prior to the effective date thereof.

ARTICLE XII
MISCELLANEOUS

Section 1201. Defeasance. If, when the Bonds shall be paid in accordance with their terms (or payment of the Bonds has been provided for in the manner set forth in the following paragraph), together with all other sums payable hereunder, then this ordinance and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. Also if all Outstanding Bonds shall have been purchased by the Town and delivered to the Paying Agent for cancellation, and all other sums payable hereunder have been paid, or provision shall have been made for the payment of the same, then this Ordinance and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

Payment of any Outstanding Bond shall prior to the maturity or Redemption Date thereof be deemed to have been provided for within the meaning and with the effect expressed in this Section if (a) in case said Bond is to be redeemed on any date prior to its maturity, the Town shall have given to the Paying Agent in form satisfactory to it irrevocable instructions to give on a date in accordance with the provisions of Section 404 hereof notice of redemption of such Bond on said Redemption Date, such notice to be given in accordance with the provisions of Section 404 hereof, (b) there shall have been deposited with the Paying Agent or other Trust Bank either moneys in an amount which shall be sufficient, or Federal Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Paying Agent or other Trust Bank at the same time, shall be sufficient to pay when due the Bond Requirements due and to become due on said Bond on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bond is not by its terms subject to redemption within the next sixty days, the Town shall have given the Paying Agent in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to Section 404 hereof, a notice to the Owner of such Bond that the deposit required by (b) above has been made with the Paying Agent or other Trust Bank and that payment of said Bond has been provided for in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the Bond Requirements of said Bond. Neither such securities nor moneys deposited with the Paying Agent or other Trust Bank pursuant to this Section or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Bond Requirements of said Bond; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Paying Agent or other Trust Bank, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities of the type described in (b) of this paragraph maturing at times and in amounts sufficient to pay when due the Bond Requirements to become due on said Bond on or prior to such Redemption Date or maturity date thereof, as the case may be. At such time as payment of a Bond has been provided for as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Ordinance, except for the purpose of any payment from such moneys or securities deposited with the Paying Agent or other Trust Bank.

In the event that any Bond is deemed to have been paid and defeased in accordance with (b) of the preceding paragraph, then in connection therewith, the Town shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (1) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (2) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the authorizing ordinance, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing ordinance, if applicable, shall be controlling.

The release of the obligations of the Town under this Section shall be without prejudice to the right of the Paying Agent to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements incurred on or about the administration of and performance of its powers and duties hereunder.

Upon compliance with the foregoing provisions of this Section with respect to all Bonds then Outstanding, this ordinance may be discharged in accordance with the provisions of this Section but the liability of the Town in respect of the Bonds shall continue; provided that the Owners thereof shall thereafter be entitled to payment only out of the moneys or Federal Securities deposited with the Paying Agent or other Trust Bank as provided in this Section.

Section 1202. Delegated Powers. The officers and employees and agents of the Town be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation:

A. Final Certificates. the execution of such certificates as may be reasonably required by the Purchaser, including the Continuing Disclosure Certificate and Insurance Agreement, if any;

B. Paying Agent Agreement. the execution and delivery of an agreement with the Paying Agent necessary or desirable to evidence the acceptance by the Paying Agent of its duties hereunder;

C. Escrow Agreement. the execution and delivery of an agreement with the Escrow Bank necessary or desirable to facilitate the payment of the Bond Requirements of the Refunded Bonds; and

D. Official Statement. the execution and delivery of the final Official Statement; and

E. Bond Purchase Agreement. the execution and delivery of the Purchase Contract between the Town and the Purchaser.

Section 1203. Evidence of Bond Owners. Any request, consent or other instrument which this Ordinance may require or may permit to be signed and to be executed by the Owners of any Bonds may be in one or more instruments of similar tenor and shall be signed

or shall be executed by each such Owner in person or by his or her attorney appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this Ordinance (except as otherwise herein expressly provided) if made in the following manner:

A. Proof of Execution. The fact and the date of the execution by any Owner of any Bonds or his or her attorney of such instrument may be established by a certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Mayor, Town Manager or the Finance Director or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, that the individual signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer; the authority of the individual or individuals executing any such instrument on behalf of a corporate Owner of any securities may be established without further proof if such instrument is signed by an individual purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by an individual purporting to be its secretary or an assistant secretary; and the authority of any Person or Persons executing any such instrument in any fiduciary or representative capacity may be established without further proof if such instrument is signed by a Person or Persons purporting to act in such fiduciary or representative capacity; and

B. Proof of Holdings. The amount of Bonds held by any Person and the numbers, date and other identification thereof, together with the date of his or her holding the Bonds, shall be proved by the registration records maintained by the Paying Agent.

Section 1204. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Town, the Paying Agent, the Insurer and the Owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the Town shall be for the sole and exclusive benefit of the Town, the Paying Agent, the Insurer, Surety Provider and the Owners of the Bonds.

Section 1205. Notices. Except as otherwise may be provided in this Ordinance, all notices, certificates, requests or other communications pursuant to this Ordinance shall be in writing and shall be sufficiently given and shall be deemed given by personal delivery or when mailed by first class mail, and either delivered or addressed as follows:

If to the Town at:

Town of Castle Rock, Colorado
100 Wilcox
Castle Rock, Colorado 80104
Attention: Finance Director

If to the Paying Agent at:

UMB Bank, n.a.
Corporate Trust Services
1670 Broadway
Denver, Colorado 80202
Attention: Corporate Trust and Escrow Services

Any of the foregoing Persons may, by notice given hereunder to each of the other Persons, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 1206. Additional Notices to Rating Agencies. The Paying Agent hereby agrees that if at any time (a) the Town shall redeem any portion of the Bonds Outstanding prior to maturity, but excluding redemptions pursuant to Section 402 hereof, (b) the Town shall provide for the payment of any portion of the Bonds pursuant to Section 1201 hereof, (c) a successor Paying Agent is appointed hereunder, or (d) any supplement to this Ordinance shall become effective or any Person shall waive any provision of this Ordinance, then, in each case, the Paying Agent shall give notice to each Rating Agency.

Section 1207. Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any rights, as provided in this Ordinance, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Ordinance, and no interest shall accrue for the period after such nominal date.

AFTER PUBLICATION ONCE BY TITLE AND SUMMARY (WITH NOTICE THAT THE ENTIRE TEXT OF THE PROPOSED ORDINANCE IS AVAILABLE FOR PUBLIC INSPECTION AT THE OFFICE OF THE TOWN CLERK) THIS ORDINANCE WAS INTRODUCED, READ BY TITLE, PASSED ON FIRST READING, AND APPROVED THIS 5th DAY OF MAY, 2015.

FINALLY ADOPTED AND APPROVED AS AN EMERGENCY MEASURE, TO BECOME EFFECTIVE UPON ADOPTION, AND ORDERED PUBLISHED ONCE BY TITLE AND SUMMARY (WITH NOTICE THAT THE ENTIRE TEXT OF THE PROPOSED ORDINANCE IS AVAILABLE FOR PUBLIC INSPECTION AT THE OFFICE OF THE TOWN CLERK) THIS 19TH DAY OF MAY, 2015.

Paul Donahue, Mayor

(SEAL)

Attest:

Sally Misare, Town Clerk

APPROVED AS TO FORM:

Robert J. Slentz, Town Attorney

First Publication Date: [_____], 2015

Second Publication Date: [_____], 2015

EXHIBIT A
(FORM OF BOND)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Town or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF COLORADO

COUNTY OF DOUGLAS

TOWN OF CASTLE ROCK, COLORADO
WATER AND SEWER ENTERPRISE REFUNDING REVENUE BOND
SERIES 2015

No. R- _____ \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED AS OF</u>	<u>CUSIP</u>
_____ %	December 1, 20__	June 30, 2015 _____	

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ DOLLARS

The Town of Castle Rock (the “Town”), in the County of Douglas and State of Colorado (the “State”), for value received, hereby promises to pay to the registered owner specified above, or registered assigns, upon the presentation and surrender of this bond, solely from the special funds provided therefor, as hereinafter set forth, the principal amount set forth above on the maturity date specified above (unless this bond shall have been called for prior redemption, in which case on the Redemption Date) and to pay solely from such special funds interest hereon at the interest rate per annum specified above, payable semiannually on June 1 and December 1 in each year, beginning on _____, until the principal amount is paid or payment has been provided for, as described in an ordinance adopted by the Town Council of the Town on May 19, 2015 (the “Ordinance”). This is one of an authorized series of bonds issued under the Ordinance (the “Bonds”). The Bonds are all issued under and equally and ratably secured by and entitled to the security of the Ordinance. To the extent not defined herein, terms used in this Bond shall have the same meanings as set forth in the Ordinance. This Bond bears interest, matures, is payable, is subject to redemption and is transferable as provided in the Ordinance.

Reference is made to the Ordinance and to all ordinances supplemental thereto, with respect to the nature and extent of the security for the Bonds, the accounts, funds or revenues

pledged, rights, duties and obligations of the Town, the Paying Agent and the Insurer, the Surety Provider, the rights of the Owners of the Bonds, the events of defaults and remedies, the circumstances under which any Bond is no longer Outstanding, the issuance of additional bonds and the terms on which such additional bonds may be issued under and secured by the Ordinance, the ability to amend the Ordinance, and to all the provisions of which the Owner hereof by the acceptance of this Bond assents.

THE BONDS ARE ISSUED PURSUANT TO AND IN FULL COMPLIANCE WITH THE CONSTITUTION AND LAWS OF THE STATE OF COLORADO, AND PURSUANT TO THE ORDINANCE. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE TOWN, SECURED BY THE NET PLEDGED REVENUES. THE BONDS DO NOT CONSTITUTE A DEBT OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE TOWN, THE STATE NOR ANY OF THE POLITICAL SUBDIVISIONS THEREOF IS LIABLE THEREFOR. NEITHER THE MEMBERS OF THE TOWN COUNCIL NOR ANY PERSONS EXECUTING THIS BOND SHALL BE PERSONALLY LIABLE FOR THIS BOND.

It is certified, recited and warranted that all the requirements of law have been fully complied with by the proper officers of the Town in the issuance of this Bond; that it is issued pursuant to and in strict conformity with the Constitution of the State, with the Charter of the Town, and with the Ordinance and any ordinances supplemental thereto; and that this Bond does not contravene any Constitutional, statutory or Charter limitation.

It is also certified, recited, and warranted that the Bonds are issued under the authority of the Ordinance, and the Supplemental Public Securities Act. It is the intention of the Town, as expressed in the Ordinance, that pursuant to Section 11-57-210, C.R.S., such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value and that all of the Bonds issued are incontestable for any cause whatsoever after their delivery for value.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Ordinance until the certificate of authentication hereon shall have been duly executed by the Paying Agent.

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Ordinance.

UMB Bank, n.a., Denver, Colorado, as
Paying Agent

By _____
Authorized Signatory

Date of Authentication and Registration: _____

(END OF FORM OF CERTIFICATE OF AUTHENTICATION)

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within bond and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the records of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed by a member
of the Medallion Signature Program:

Address of transferee:

Social Security or other tax
identification number of transferee:

NOTE: The signature to this Assignment must correspond with the name as written on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

EXCHANGE OR TRANSFER FEES MAY BE CHARGED

(END OF FORM OF ASSIGNMENT)

(FORM OF PREPAYMENT PANEL)

PREPAYMENT PANEL

The following installments of principal (or portion thereof) of this bond have been prepaid in accordance with the terms of the Bond Ordinance authorizing the issuance of this bond.

<u>Date of Prepayment</u>	<u>Principal Prepaid</u>	Signature of Authorized <u>Representative of the Depository</u>

(END OF FORM OF PREPAYMENT PANEL)

STATE OF COLORADO)
)
 COUNTY OF DOUGLAS) SS.
)
 TOWN OF CASTLE ROCK)

I, Sally Misare, the duly appointed, qualified and acting Town Clerk of the Town of Castle Rock, Colorado (the “Town”) do hereby certify:

1. The foregoing pages are a true, correct, and complete copy of an ordinance adopted by the Town Council (the “Council”) of the Town (i) on first reading at a regular meeting of the Council held at the Town Hall on May 5, 2015, and (ii) on second reading, as an emergency measure, at a regular meeting of the Council held at the Town Hall on May 19, 2015.

2. The ordinance has been signed by the Mayor, sealed with the corporate seal of the Town, attested by me as Town Clerk, and duly recorded in the books of the Town; and that the same remains of record in the book of records of the Town.

3. The passage of the ordinance on first reading was duly moved and seconded and the ordinance was passed on first reading by an affirmative vote of a majority of the members of the Council as follows:

Name	“Yes”	“No”	Absent	Abstain
Paul Donahue, Mayor				
Jennifer Green, Mayor Pro Tem				
Mark P. Heath				
Chip Wilson				
Renee Valentine				
George Teal				
Brett J. Ford				

4. The notice of the regular meeting of May 5, 2015, in the form, attached hereto as **Exhibit A**, was posted in a designated public place within the boundaries of the Town no less than twenty-four hours prior to the meeting as required by law.

5. That the ordinance was published by title and summary (with notice that a copy of the entire text of the proposed ordinance is available at the office of the Town Clerk) prior to first reading in the *Douglas County News-Press*, a newspaper of general circulation within the Town on May ____, 2015. The affidavit of publication is attached hereto as **Exhibit C**.

6. The passage of the ordinance on second and final reading was duly moved and seconded and the ordinance was passed on second and final reading as an emergency measure by an affirmative vote of three-fourths of the members of the Council as follows:

Name	“Yes”	“No”	Absent	Abstain
Paul Donahue, Mayor				
Jennifer Green, Mayor Pro Tem				
Mark P. Heath				
Chip Wilson				
Renee Valentine				
George Teal				
Brett J. Ford				

7. That notice of the regular meeting on May 19, 2015, in the form attached hereto as **Exhibit B**, was posted in a designated public place within the boundaries of the Town no less than twenty-four hours prior to the meeting as required by law.

8. That the ordinance was published by title and summary (with notice that a copy of the entire text of the ordinance is available at the office of the Town Clerk) after adoption in the *Douglas County News-Press*, a newspaper of general circulation within the Town on [_____], 2015. The affidavit of publication is attached hereto as **Exhibit C**.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Town this _____ day of May, 2015.

(SEAL)

Town Clerk

EXHIBIT A

(Attach Notice of Meeting - First Reading)

EXHIBIT B

(Attach Notice of Meeting - Second Reading)

EXHIBIT C

(Attach Affidavits of Publication)