ORD

C.D. No. 2020-138

ORDINANCE NO.: 3561
INTRODUCED BY: Sandgren

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF WATER ENTERPRISE REVENUE BONDS, SERIES 2020, PAYABLE SOLELY OUT OF THE NET REVENUES TO BE DERIVED FROM THE OPERATION OF THE CITY'S WATER ENTERPRISE; AND PROVIDING OTHER DETAILS CONCERNING THE BONDS, INCLUDING, WITHOUT LIMITATION, COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH.

WHEREAS, the City is a home rule city 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 City's Charter (Charter); and

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

WHEREAS, the City now owns and operates a municipal water system (System) which constitutes an enterprise pursuant to Article X, Section 20 of the Colorado Constitution; and

WHEREAS, the Council proposes to extend, better, otherwise improve and equip the System (Project); and

WHEREAS, the City intends to issue its City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 (Bonds) to defray in part the cost of the Project; and

WHEREAS, the City previously issued its City of Thornton, Colorado, Water Enterprise Revenue Refunding Bonds, Series 2013 (2013 Bonds) to refinance improvements to the System, which 2013 Bonds are currently outstanding in the aggregate principal amount of $33,030,000; and

WHEREAS, except for the outstanding 2013 Bonds, the City has not 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 Revenues may now be pledged lawfully and irrevocably for the payment of the Bonds, on a parity with the outstanding 2013 Bonds, and they may be made payable from the Net Revenues; and

WHEREAS, at a public sale to be held in connection with the sale of the Bonds, the City anticipates receiving a proposal from a purchaser for the purchase of the Bonds, for the purpose of defraying in whole or in part the Cost of the Project; and

WHEREAS, pursuant to Section 11-57-205, Colorado Revised Statutes, as amended, the Council desires to delegate to the City Manager and the Director of

Finance the power to accept a binding bid to purchase the Bonds and to make certain other determinations with respect to the Bonds, including without limitation, the rate of interest on the Bonds, the redemption provisions of the Bonds, the price at which the Bonds will be sold, the aggregate principal amount of the Bonds to be issued, the amount of principal maturing, or subject to mandatory redemption, in any particular year, and the existence and amount of any reserve fund securing the Bonds; and

WHEREAS, there has been filed with the Clerk the following documents: (a) the form of Registrar and Paying Agent Agreement between the City and U.S. Bank National Association, as registrar and paying agent (Paying Agent Agreement); (b) the form of Continuing Disclosure Certificate to be executed by the City in connection with the issuance of the Bonds (Continuing Disclosure Certificate); (c) the form of Notice of Sale to be used in connection with the competitive sale of the Bonds (Notice of Sale); and (d) the form of Preliminary Official Statement related to the Bonds (Preliminary Official Statement); and

WHEREAS, the Council has determined and does hereby declare:

a. In order to meet the present and future needs of the City, it is necessary to extend, better, otherwise improve and equip the System;

b. The Bonds shall be issued to finance a portion of the costs of the Project;

c. Net Revenues shall be pledged to the payment of the Bonds, on a parity with the outstanding 2013 Bonds;

d. The Bonds shall be sold by competitive sale and such sale is to the best advantage of the City; and

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

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF THORNTON, COLORADO, AS FOLLOWS:

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 "2020 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:

"acquire" or "acquisition" means the opening, laying out, establishment, purchase, construction, securing, installation, reconstruction, lease, gift, grant from the Federal Government, the State, any body corporate and politic therein, or any other Person, the endowment, bequest, devise, transfer, assignment, option to purchase, other contract, or other acquisition, or any combination thereof, of any properties pertaining to the System, or an interest therein, or any other properties herein designated.

"Bond Counsel" means an attorney or a firm of attorneys, designated by the City 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 "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 Bond Fund" created pursuant to Section 605 hereof.

"Bond Insurance Policy" means a municipal bond insurance policy or financial guaranty insurance policy, if any, issued by the Bond Insurer guaranteeing the payment when due of the principal of and interest on the Bonds, if set forth in the Sale Certificate. In the event that it is determined in the Sale Certificate that the Bonds will not be secured by a Bond Insurance Policy, all references herein to the Bond Insurance Policy shall be of no force and effect.

"Bond Insurer" means the provider, if any, of the Bond Insurance Policy, or any successor thereto, if set forth in the Sale Certificate. If it is determined in the Sale Certificate that the Bonds will not be secured by a Bond Insurance Policy, then all references herein to the Bond Insurer shall be of no force and effect.

"Bond Year" means the twelve (12) months commencing on the second day of December of any calendar year and ending on the first day of December of the next succeeding calendar year.

"Bonds" means those securities issued hereunder and designated as the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020."

"Business Day" means a day which is not (i) a Saturday, Sunday or legal holiday on which banking institutions in the State of Colorado, the State of New York, or the state in which the principal office of the Paying Agent is located are authorized by law to close, (ii) a day on which the New York Stock Exchange is closed, or (iii) a day on which the Federal Reserve 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 City, as from time to time amended.

"City" means the City of Thornton, Colorado, or any successor municipal corporation owning the System.

"City Manager" means the duly appointed and acting City Manager of the City.

"Clerk" means the City Clerk of the City, or his or her successor in functions, if any.

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

"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 $75,000,000 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 City.

"Costs of Issuance" means all financial, legal, accounting and rating fees, the fees and expenses of the Paying Agent, and all costs of printing, mailing and publication and similar costs incurred in connection with the sale and issuance of the Bonds.

"Costs of Issuance Fund" means the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 Costs of Issuance Fund" established with the Paying Agent and referred to herein in Section 502 hereof.

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

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

(b) The costs of making surveys and tests, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(c) The costs of contingencies;

(d) The costs of premiums on any builders' risk insurance and performance bonds during the construction, installation and other acquisition of the Project, or a reasonably allocated share thereof;

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

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

(g) 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;

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

(i) The costs of funding any construction loans and other temporary loans pertaining to the Project and of the incidental expenses incurred in connection with such loans;

(j) The costs of demolishing, removing, or relocating any buildings, structures, or other facilities on land acquired for the Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;

(k) The costs of machinery and equipment;

(l) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;

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

(n) The costs of labor, material and obligations incurred to contractors, builders and materialmen in connection with the acquisition and construction of the Project;

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

(p) All other expenses pertaining to the Project.

"Council" means the City Council of the City, and any successor governing body of the municipal corporation owning the System.

"Debt Service 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 Revenues and heretofore or hereafter issued, if any, or such part of such securities as may be designated; provided that the determination of the Debt Service Requirements of any securities shall assume the redemption and payment of such securities on any applicable mandatory redemption date. When computing the Debt Service Requirements for any issue of Variable Rate Bonds, it shall be assumed that any such securities Outstanding at the time of the computation will bear interest during any period at the highest of (a) the actual rate on the date of calculation, or if the securities are not yet outstanding, the initial rate (if established and binding), (b) if the securities have been outstanding for at least twelve (12) months, the average rate over the twelve (12) months immediately preceding the date of calculation, and (c) (i) if interest on the securities is excludable from gross income under the applicable provisions of the Tax Code, the average of the SIFMA Index during the preceding twelve (12) months plus one hundred (100) basis points, or (ii) if interest is not so excludable, the interest rate on direct Federal Securities with comparable maturities plus fifty (50) basis points. It is to be further assumed that any such Variable Rate Bonds that may be tendered prior to maturity for purchase at the option of the owner thereof will mature on their stated maturity dates or mandatory redemption dates.

For purposes of calculating the Debt Service Requirements, if a Parity Financial Products Agreement has been entered into by the City with respect to the Bonds or any Parity Bonds, interest on the Bonds or such Parity Bonds shall be included in the calculation of such principal and interest by including for each Fiscal Year an amount equal to the amount of interest payable on the Bonds or such Parity Bonds in such Fiscal Year during such period determined as hereinabove provided plus any Financial Products Payments payable in any such Fiscal Year minus any Financial Products Receipts receivable in any such Fiscal Year; provided that in no event shall any calculation made pursuant to this sentence result in a number less than zero being included in the calculation of such interest.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate swaps or other similar Financial Products Agreement which Payments or Receipts are based on interest rates which are not fixed in percentage for the entire term of the Financial Products Agreement, such amount shall be calculated by assuming such variable interest rate is a fixed interest rate equal

to the average of the daily interest rate for such Payments or Receipts under such Financial Products Agreement during the twelve months preceding the calculation or during the time the Financial Products Agreement has been in effect if less than twelve months and if such Financial Products Agreement is not then in effect, the variable interest rate shall be deemed to be a fixed interest rate equal to the average daily interest rate for such Payments or Receipts which would have been applicable if such Financial Products Agreement had been in effect for the preceding twelve month period, all as set forth in a certificate of the Director of Finance.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds which are Variable Rate Bonds, such amount shall be calculated by assuming the interest rate on the related Variable Rate Bonds will be a fixed interest rate equal the average of the daily interest rate on such Variable Rate Bonds during the twelve months preceding the calculation or during the time the Variable Rate Bonds are Outstanding if less than twelve months and if such Variable Rate Bonds are not at the time of calculation Outstanding, the variable interest rate shall be deemed to be a fixed interest rate equal to the average daily interest rate which such Variable Rate Bonds would have borne if they had been Outstanding for the preceding twelve month period as estimated by the Director of Finance, all as set forth in a certificate of the Director of Finance. In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds bearing interest at a fixed rate, such amount shall be the amount payable or receivable annually determined as of the date of issuance of the Parity Bonds as set forth in a certificate of the Director of Finance.

"Depository" any securities depository as the City may provide and appoint, in accordance with the guidelines of the Securities and Exchange Commission, which shall act as securities depository for the Bonds.

"Director of Finance" means the duly appointed Director of Finance of the City, or his or her successor in functions, if any.

"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.

"Financial Products Agreement" means an interest rate swap, cap, collar, floor, other hedging agreement, arrangement or security, however denominated, entered into by the City with a Provider not for investment purposes but with respect to the Bonds or specific Parity Bonds and providing that any payments by the City thereunder shall be made only from Net Revenues and for the purpose of (i) reducing or otherwise

managing the City's risk of interest rate changes or (ii) effectively converting the City's interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

"Financial Products Payments" means payments periodically required to be paid to a Provider by the City pursuant to a Financial Products Agreement but specifically not including any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder.

"Financial Products Receipts" means amounts periodically required to be paid to the City by a Provider pursuant to a Financial Products Agreement but specifically not including any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder.

"Fiscal Year" means the calendar year or any other 12 month period hereafter selected by the City as its fiscal year.

"Gross Revenues" means all income, charges and revenues derived directly or indirectly by the City 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 City from the System, including without limitation:

(a) All fees, rates and other charges for the use of the System, or for any service rendered by the City 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; and

(iii) Excluding any Financial Products Receipts;

(b) All income or other gain from any investment of Gross Revenues (including without limitation the income or gain from any investment of all Net

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 Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Revenues) unless the Council or the qualified electors of the City otherwise provide by ordinance, or such electors by Charter amendment; and

(c) 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 City 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 "City of Thornton, Colorado, Water Enterprise Gross Income Fund" referred to in 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 City;

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

(c) Who is not connected with the City 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 City.

"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 City and in the case of an individual, is not a member of the Council, or an officer or employee of the City, 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 City.

"Independent Rate Consultant" means a nationally recognized individual, firm or corporation of independent rate consultants 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 City and in the case of an individual, is not a member of the Council, or an officer or employee of the City, 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 City.

"Maximum Annual Debt Service Requirements" means the maximum aggregate amount of Debt Service Requirements (excluding redemption premiums) due on the securities for which such computation is being made in any Fiscal Year beginning with the Fiscal Year in which Debt Service Requirements of such securities are first payable after the computation date and ending with the Fiscal Year in which the last of the Debt Service Requirements are payable.

"Mayor" means the Mayor of the City, or his or her successor in functions.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"Net Revenues" means the Gross Revenues remaining after the payment of the Operation and Maintenance Expenses of the System.

"Notice of Sale" means the Notice of Sale related to the competitive sale of the Bonds.

"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 City, 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 City, 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 City 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 City, the System, revenues therefrom, or the City'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);

(e) The reasonable charges of the Paying Agent, any alternate Paying Agent, any paying agents or escrow agent for any securities payable from the Net Revenues which have been or will be refunded, and any other depositary bank pertaining to the Bonds and any other securities payable from the Net 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;

(f) 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;

(g) The costs incurred by the City in the collection and any refunds of all or any part of the Gross Revenues;

(h) Any costs of utility services furnished to the System by the City or otherwise, including, without limitation, the contracting by the City for water from any Person, for distribution through the System or for the transmission or treatment of water for use by the City 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; 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; <u>but</u>

(i) <u>Excluding</u> any allowance for depreciation;

(ii) <u>Excluding</u> any costs of Capital Improvements (or any combination thereof);

(iii) <u>Excluding</u> any reserves for major capital replacements (other than normal repairs);

(iv) <u>Excluding</u> any reserves for operation, maintenance or repair of the System;

(v) <u>Excluding</u> 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 for Financial Products Payments;

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

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

"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 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 City, by any paying agent, or otherwise on the City'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, collectively, the 2013 Bonds and any bonds, warrants, notes, securities, leases, contracts or other financial obligations hereafter issued or executed by the City and payable in whole or in part from and having an irrevocable lien upon the Net Revenues equally or on a parity with the Bonds.

"Parity Bond Ordinances" means the ordinance authorizing the issuance of the 2013 Bonds and any agreements or other instruments hereafter entered into by the City with respect to Parity Bonds and, without duplication, any ordinances hereafter adopted by the Council authorizing the issuance of Parity Bonds.

"Parity Financial Products Agreement" means any Financial Products Agreement pursuant to which Financial Products Payments are payable from Net Revenues on a parity with the Bonds.

"Paying Agent" means U.S. Bank National Association in Denver, Colorado, and being an agent of the City for the payment of the Debt Service 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 and registrar.

"Paying Agent Agreement" means the Registrar and Paying Agent Agreement dated as of the Closing Date between the City and the Paying Agent.

"Permitted Investments" means any securities or other obligations permitted as investments of moneys of the City under the laws of the State, subject to such agreements or covenants, if any, as may be made by the City in connection with the issuance of any Bond Insurance Policy.

"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 City), partnership, limited liability company, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

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

"Project" means, the land, facilities and rights constructed, installed, purchased and otherwise acquired for the System, the cost of which is to be defrayed with a portion of the proceeds of the Bonds and which constitute Capital Improvements.

"Project Fund" means the special account designated as the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 Project Fund" created pursuant to Section 501 hereof.

"Provider" means any financial institution or insurance company which is a party to a Financial Products Agreement with the City.

"Purchaser" means the initial purchaser of the Bonds pursuant to the competitive sale.

"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 "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 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 Revenues in any notice of prior redemption or otherwise fixed and designated by the City.

"Reserve Fund" means any Reserve Fund established to secure the payment of the principal of and interest on all or any portion of the Bonds in accordance with the provisions of the Sale Certificate and Section 606 hereof. If a Reserve Fund is created in the Sale Certificate, the terms and provisions of the Sale Certificate relating to the Reserve Fund shall be incorporated herein as if set forth herein. If a Reserve Fund is not created in the Sale Certificate, all references herein to the Reserve Fund, Reserve Fund Requirement and Reserve Fund Insurance Policy shall be of no force and effect.

"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 Permitted Investments on deposit in the Reserve Fund; provided that any such substitutions shall be submitted to Moody's, if the Bonds are then rated by Moody's, and S&P, if the Bonds are then rated by S&P, and shall not cause the then-current ratings on the Bonds to be adversely affected.

"Reserve Fund Requirement" means the amount set forth in the Sale Certificate which is to be maintained in the Reserve Fund, if any.

"Sale Certificate" means the sale certificate of the City relating to the Bonds executed and delivered pursuant to the Supplemental Public Securities Act and described in Section 213 hereof.

"SIFMA Index" means the Securities Industry and Financial Markets Association Municipal Swap Index, produced by Municipal Market Data, or if such index is not published, then such other index selected by the Director of Finance which reflects the yield of tax-exempt seven-day variable rate demand bonds.

"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" or "S&P" means S&P Global Ratings, a New York 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 any bonds, warrants, notes, securities, leases, contracts or other financial obligations payable from the Net 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.

"System" means the municipal water system, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City, through purchase, construction and otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City; 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 City or by Charter amendment adopted by such electors.

"Tax Code" means the Internal Revenue Code of 1986, as amended.

"Tax Compliance Certificate" means the Tax Compliance Certificate executed by the City in connection with the initial issuance and delivery of the Bonds as it may from time to time be modified pursuant to its terms.

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

"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.

"2013 Bonds" means the City of Thornton, Colorado, Water Enterprise Revenue Refunding Bonds, Series 2013.

"Variable Rate Bonds" means any securities payable from Net 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. City-Held Securities. Any securities payable from any Net Revenues held by the City 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 City, the Council, the Paying Agent, the Owners of the Bonds and the Owners of any Parity Bonds or other securities payable from the Net Revenues when reference is expressly made thereto. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Council, the Paying Agent, 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 and

employees of the City and otherwise taken by the City directed toward the 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 City and the Owner or Owners of the Bonds and this Ordinance shall be and shall remain irrepealable until the Bonds, as to all Debt Service Requirements, shall be fully paid, canceled, and discharged, except as herein otherwise provided.

Section 108. Effective Date and Disposition. This Ordinance shall take effect upon final passage, shall be authenticated and shall be numbered and recorded in the official records of the City as required by the Charter.

ARTICLE II

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

Section 201. Authority. This Ordinance is adopted by virtue of the City's powers as a home rule City organized and operating pursuant to Article XX of the State Constitution and the Charter thereunder and pursuant to their provisions. Pursuant to Article XX of the State Constitution and the Charter, all statutes of the State which might otherwise apply in connection with the 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 City 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, and any Parity Credit Facility Obligations relating thereto and any Providers of Parity Financial Products Agreements hereafter entered into, 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. All of the Debt Service Requirements of the Bonds shall be payable and collectible solely out of the Net Revenues, which revenues

are hereby so pledged, and to the extent provided herein, from moneys on deposit in the Project Fund, the Bond Fund and the Reserve Fund, which moneys are hereby so pledged. The Owner or Owners of the Bonds may not look to any general or other fund for the payment of such Debt Service Requirements, except the herein designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional, Charter or statutory provision or limitation; and the Bonds shall not be considered or held to be general obligations of the City but shall constitute its special, limited 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 City to comply with the provisions of this Ordinance or to pay the Debt Service Requirements of the Bonds 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 City (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 is not secured by an encumbrance, mortgage or other pledge of property of the City, except for the Net Revenues and other moneys pledged for the payment of the Debt Service Requirements of the Bonds. No property of the City, subject to such exception, shall be liable to be forfeited or taken in payment of the Bonds.

Section 206. No Recourse Against Officers and Agents. No recourse shall be had for the payment of the Debt Service Requirements of the Bonds or for any claim based thereon or otherwise upon this Ordinance or any other ordinance pertaining hereto, against any individual member of the Council or any officer, employee or other agent of the City, past, present or future, either directly or indirectly through the Council, or the City, 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 Project. The Council, on behalf of the City, does hereby determine to undertake the 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 City, hereby confirms its intention that the System is an "enterprise" for the purposes of Article X, Section 20 of the State Constitution. In particular, the System shall be owned by the City 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. Competitive Sale of Bonds; Notice of Sale. The Bonds shall be sold by competitive sale in accordance with the Notice of Sale. The Council hereby approves the Notice of Sale in substantially the form submitted to the Clerk, provided

that such Notice of Sale may be completed, corrected or revised as deemed necessary by the City Manager, the Director of Finance or the City's bond counsel in order to carry out the purposes of this Ordinance. The Director of Finance is hereby authorized and directed to cause the Notice of Sale to be distributed to prospective bidders on the Bonds.

Section 210. Preliminary Official Statement; Official Statement. The preparation, printing, distribution and use of the Preliminary Official Statement in substantially the form on file with the Clerk is hereby approved, with such amendments, additions and deletions as are in accordance with the facts and not inconsistent herewith. The City Manager is authorized to prepare or cause to be prepared, and the Mayor is authorized and directed to approve, on behalf of the City, and execute a final Official Statement for use in connection with the offering and sale of the Bonds in substantially the form of the Preliminary Official Statement, but with such amendments, additions and deletions as are in accordance with the facts and not inconsistent herewith. The execution of a final Official Statement by the Mayor shall be conclusively deemed to evidence the approval of the form and contents thereof by the City.

Section 211. Paying Agent Agreement and Continuing Disclosure Certificate. The Council hereby approves the Paying Agent Agreement and the Continuing Disclosure Certificate in substantially the forms filed with the Clerk, provided that such documents may be completed corrected or revised as deemed necessary by the parties thereto in order to carry out the purposes of this Ordinance and to comply with the terms of the Sale Certificate.

Section 212. Execution of Documents; Taking of Necessary Action. The Mayor, the Clerk and any deputy thereof, the City Manager, the Director of Finance and other officers and employees of the City are hereby independently authorized and directed to take all action necessary or appropriate to effect the provisions of this Ordinance, including without limitation, executing, attesting, authenticating and delivering for and on behalf of the City, the Bonds, the Paying Agent Agreement, the Continuing Disclosure Certificate and such other agreements, instruments, certificates and opinions as may be required to implement the transactions contemplated hereby, or as may otherwise be reasonably required by the City's bond counsel. The execution of any document or instrument by the appropriate officers of the City herein authorized shall be conclusive evidence of the approval by the City of such document or 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 City, 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, except that it shall not apply Section 11-57-211 thereof. The Bonds are issued under the authority of the Supplemental Act and shall so recite. Pursuant to such election to apply Section 11-57-205 of the Supplemental Public Securities Act to the Bonds, the Council hereby delegates to each of the City Manager and the Director of Finance the

authority to independently make any determination delegable pursuant to Section 11-57-205(1)(a-i) of the Supplemental Act, in relation to the Bonds and to execute a Sale Certificate setting forth such determinations, without any requirement that the Council approve such determinations, subject to the following parameters and restrictions:

A. The maximum net effective rate of interest to be borne by the Bonds shall not exceed 4.50%.

B. The aggregate principal amount of the Bonds shall not exceed $90,000,000.

C. The Bonds shall not mature later than December 1, 2051.

D. The purchase price of the Bonds shall not be less than 100% of the aggregate principal amount of the Bonds.

Pursuant to Section 11-57-205 of the Supplemental Act and the City's home rule charter, the Council hereby delegates to each of the City Manager and the Director of Finance the independent authority to receive bids for the purchase of the Bonds and to determine the best bid therefor in accordance with the provisions of this Ordinance, and subject to the parameters set forth herein and the other terms and provisions set forth in this Ordinance and the Notice of Sale. Each of the City Manager and the Director of Finance are hereby independently authorized to accept a binding bid for the Bonds. The purchaser of the Bonds and the terms of the winning bid shall be set forth in the Sale Certificate.

The City Manager and the Director of Finance are hereby independently authorized to determine if obtaining municipal bond insurance for all or a portion of the Bonds is in the best interests of the City, and if so, to select a Bond Insurer to issue a Bond Insurance Policy, execute a commitment relating to the same and execute any related documents or agreements required by such commitment. The City Manager and the Director of Finance are hereby independently authorized to determine if the Bonds shall be secured by a Reserve Fund and whether obtaining a Reserve Fund Insurance Policy to fund the Reserve Fund is in the best interests of the City, and if so, to select a surety provider to issue a Reserve Fund Insurance Policy and execute any related documents or agreements required by such commitment.

The delegation set forth in this Section 213 shall be effective for one year following the date of adoption of this Ordinance.

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 City and of defraying wholly or in part the Cost of the Project, the "City of Thornton,

Colorado, Water Enterprise Revenue Bonds, Series 2020" in an aggregate principal amount set forth in the Sale Certificate are hereby authorized to be issued; and the City pledges irrevocably, but not necessarily exclusively, the Net Revenues to the payment of the Debt Service 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) initially registered in the name of Cede & Co. as nominee for The Depository Trust Company, as the securities depository for the Bonds. The Bonds shall be issued in denominations of $5,000 or any integral multiple thereof (provided that no Bond may be in a denomination which exceeds the principal coming due on any maturity date and no individual Bond may be issued for more than one maturity bearing interest at the same interest rate). The Bonds shall be numbered in the manner determined by the Paying Agent. The Bonds shall be dated as of the Closing Date. The Bonds shall mature on December 1, in the years and amounts and be subject to prior redemption as set forth 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 City.

B. Payment of Bonds. The principal of and final interest payment due on 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 check or draft mailed 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 City by the manual or facsimile signature of the Mayor, countersigned by the facsimile or manual signature of the City Treasurer, shall be sealed with the corporate seal of the City 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 City 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, the City Treasurer 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, the City Treasurer 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 City. 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 Debt Service Requirements thereof and for all other purposes; and payment of or on account of the Debt Service 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 bearing interest at the same 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 bearing interest at the same interest rate and of other authorized denominations. The execution by the City 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 City 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 City 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 City 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 City 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 City 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 for each maturity bearing interest at the same interest rate in denominations equal to the aggregate principal amount of the Bonds of such maturity and bearing interest at the same 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(a)(5), 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 under clause (1) or this clause (2) of this paragraph A, or a determination by the City that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions, and the designation by the City of another depository institution acceptable to the City and to the depository then holding the Bonds, which new depository institution must be both a "clearing corporation" as defined in Section 4-8-102(a)(5), Colorado Revised Statutes 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; or

(3) upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or clause (2) of this paragraph A, or a determination of the City that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions, and the failure by the City, after reasonable investigation, to locate another qualified depository institution under clause (2) to carry out such depository 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, or designation of a new depository pursuant to clause (2) 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 of the Bonds then outstanding bearing interest at the same interest rate 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 City 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 City 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 City 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 any of the Bonds, Cede & Co. (or its successor) in its discretion may request the City 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, and a certificate of such cancellation and destruction shall be furnished by the Paying Agent to the City.

Section 310. Negotiability. Subject to the registration and payment provisions herein provided, the Bonds shall be fully negotiable within the meaning of and for the purposes of the Uniform Commercial Code -- Investment Securities, and each Owner shall possess all rights enjoyed by owners of negotiable instruments under the Uniform Commercial Code -- Investment Securities.

Section 311. 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 City 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 312. 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 or the Sale Certificate, 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 will be subject to redemption at the option of the City as set forth in the Sale Certificate.

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 City.

At its option, to be exercised on or before the sixtieth day next preceding each such sinking fund Redemption Date, the City 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 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 City on such sinking fund date and such sinking fund obligation will be accordingly reduced. The City 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 City 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. Unless otherwise waived by the Paying Agent, the City shall give written instructions concerning any optional prior redemption of the Bonds to the Paying Agent at least thirty-five days prior to such Redemption Date. Notice of optional or mandatory redemption shall be given by the Paying Agent in the name of the City 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 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 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 foregoing, the Paying Agent may provide notice of redemption by such alternative means as may be mutually agreed to between the Owner of the Bonds and the Paying Agent. In the event that the Bonds to be redeemed are registered in the name of the Depository, such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Depository.

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

ARTICLE V

USE OF BOND PROCEEDS AND OTHER MONEYS

Section 501. Disposition of Bond Proceeds. The net proceeds derived from the sale of the Bonds, upon the receipt thereof, shall be deposited by the City as follows:

A. To the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 Project Account" (the "Project Account") which is hereby created and to be held by the City, the amount set forth in the Sale Certificate. Except as otherwise provided herein, the moneys in the Project Fund shall be used solely for the purpose of paying the Cost of the Project.

B. To the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020, Costs of Issuance Fund" (the "Costs of Issuance Fund") created with the Paying Agent pursuant to the Paying Agent Agreement, the amount set forth in the Sale Certificate.

C. To the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020, Reserve Fund" (the "Reserve Fund") hereby created, the amount, if any, set forth in the Sale Certificate.

Section 502. Payment of Expenses. Moneys deposited in the Project Fund pursuant to Section 501 hereof may be used and paid out by the City to defray the administrative Cost of the Project, including, without limitation, amounts to be paid to the Paying Agent, legal fees, accounting fees, financial advisory fees, printing costs and rating fees. The City may defray any such administrative costs from time to time as Operation and Maintenance Expenses to the extent the moneys deposited in the Project Fund pursuant to Section 501 hereof are insufficient therefor.

Section 503. Completion of Project. When the Project is completed in accordance with the relevant plans and specifications and all amounts due therefor, including all proper incidental expenses and all administrative Cost of the Project referred to in Section 502 hereof, are paid, or for which full provision is made, the Director of Finance shall cause all surplus moneys remaining in the Project Fund, if any, except for any moneys designated in the certificate to be retained to pay any unpaid accrued costs or contingent obligations, to be transferred to (a) the Rebate Fund so as to enable the City to comply with Section 930 hereof, (b) the Reserve Fund to such extent as shall not cause the amount in the Reserve Fund to exceed the Reserve Fund Requirement, and (c) the Bond Fund to the extent of any remaining balance of such moneys to be applied against the next principal payment or payments coming due on the Bonds. Nothing herein prevents the transfer from the Project Fund to the Bond Fund, at any time prior to the termination of the Project Fund, of any moneys which the Director of Finance by certificate determines will not be necessary for the Project and will not be designated to be transferred to the Rebate Fund.

Section 504. Costs of Issuance Fund. Amounts on deposit in the Costs of Issuance Fund shall be disbursed in accordance with the provisions set forth in the Paying Agent Agreement. Amounts on deposit in the Costs of Issuance Fund are not pledged to the payment of the Bonds.

Section 505. Lien on Project Fund. Until the proceeds of the Bonds deposited in the Project Fund are applied as herein provided on the Cost of the Project, such Bond proceeds are subject to a lien thereon and pledge thereof for the benefit of the Owners of the Outstanding Bonds as provided in Sections 601 and 605 hereof.

Section 506. 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 City 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 NET REVENUES

Section 601. Pledge Securing Bonds. The Net Revenues are hereby pledged to secure the payment of the Debt Service Requirements of the Outstanding Bonds. The pledge of the Net Revenues to secure the payment of the Debt Service Requirements of the Outstanding Bonds is on a parity with the pledge of the Net Revenues for, and lien thereon of the 2013 Bonds and any Parity Bonds hereafter issued in compliance with the provisions of Article VIII hereof. In addition, moneys on deposit in the Project Fund, the Bond Fund and the Reserve Fund, if any, are hereby pledged and a lien thereon is hereby created, to secure the payment of the Debt Service Requirements of the Outstanding Bonds, subject to the right of the City to cause amounts to be withdrawn from the Project Fund to pay the Cost of the Project as provided herein.. Moneys on deposit in the Project Fund, Bond Fund and Reserve Fund are not pledged to the payment of the 2013 Bonds or any Parity Bonds hereinafter issued. Moneys on deposit in the Rebate Fund and the Costs of Issuance Fund are not pledged to the payment of the Bonds.

The pledge of the Net Revenues and of the moneys on deposit in the Project Fund, Bond Fund and Reserve Fund shall be valid and binding from and after the date of the delivery of the Bonds. The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Bonds as provided herein shall be governed by §11-57-208 of the Supplemental Act and this Ordinance. The revenues pledged for the payment of the Bonds, as received by or otherwise credited to the City shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge on the revenues pledged for payment of the Bonds and the obligation to perform the contractual provisions made herein shall have priority over any or all other obligations and liabilities of the City (except as herein otherwise

expressly provided), and the lien of such pledge shall be valid, binding, and enforceable as against all persons or entities having claims of any kind in tort, contract, or otherwise against the City irrespective of whether such persons or entities have notice of such liens.

Section 602. Income Fund Deposits. So long as any of the Bonds shall be Outstanding, as to any Debt Service Requirements related to the Bonds, the entire Gross Revenues, upon their receipt from time to time by the City, shall be set aside and credited immediately to the special and separate account previously created by the City, and hereby continued, and known as the "City of Thornton, Colorado, Water Enterprise Gross Income Fund."

Section 603. Administration of Income Fund. So long as any of the Bonds shall be Outstanding, as to any Debt Service 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. Firstly, 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 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. Secondly, from any remaining Net Revenues, there shall be credited each month, concurrently with amounts required to meet the Debt Service Requirements for the 2013 Bonds and any Outstanding Parity Bonds hereafter issued, or any Parity Financial Products Agreements hereafter entered into, to the special and separate fund hereby created and to be known as the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 Bond Fund" (the "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 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 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 a deficiency occurs in any of the monthly deposits required by (A) or (B) above, this shall not constitute an Event of Default under this Ordinance, but the next monthly deposit or deposits shall be increased until the deficiency is cured.

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 Debt Service Requirements of the Bonds then Outstanding, as such Debt Service Requirements become due, except as provided in Sections 607 and 1201 hereof. No interest or principal shall be paid on any Bonds owned by or on behalf of the City.

Moneys on deposit in the Bond Fund shall be transferred or deposited with the Paying Agent for the Bonds in accordance with the terms and provisions of the Paying Agent Agreement. If moneys on deposit in the Bond Fund are not sufficient to make such transfer to the Paying Agent at the times and in the amounts due under the Paying Agent Agreement, such insufficiency shall be funded first from moneys on deposit in the Reserve Fund, as provided herein, and second from any available moneys on deposit in the Project Fund.

Section 606. Reserve Fund Payments. Upon delivery of the Bonds, an amount equal to the Reserve Fund Requirement, if any, as set forth in the Sale Certificate, shall be deposited in the special and separate fund hereby created and to be known as the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 Reserve Fund" (the "Reserve Fund"). 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 a Reserve Fund Insurance Policy and as to the amounts of policy costs paid and owing to any surety provider.

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 City 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 Revenues to comply with the requirements of the first sentence of this paragraph, available Net 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 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 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 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 1201 hereof, only to prevent deficiencies in the payment of the Debt Service Requirements of the Bonds Outstanding from time to time from the failure to deposit into the Bond Fund sufficient moneys to pay such Debt Service 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 any Reserve Fund Insurance Policy therein equal not less than the Reserve Fund Requirement and there are no policy costs due and owing.

The City may at any time substitute (a) cash or Permitted Investments for a Reserve Fund Insurance Policy or (b) a Reserve Fund Insurance Policy for cash or Permitted Investments, 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 City in the Reserve Fund for such substitution unless the City has received an opinion of Bond Counsel to the effect that such substitution and the intended use by the City of the cash or Permitted Investments 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.

Additional Parity Bonds may have a lien on the Net Revenues on a parity with the lien thereon of the Bonds even if no reserve fund is established for such additional 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 additional 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.

Section 607. Termination of Deposits. No payment need be made into the Bond Fund or the Reserve Fund 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 Permitted Investments 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 Debt Service 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 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 City.

Section 608. Defraying Delinquencies. If at any time there are insufficient moneys on deposit in the Bond Fund to make the required transfer to the Paying Agent to pay the Debt Service Requirements on the Bonds in accordance with the Paying Agent Agreement, then an amount shall be paid into the Bond Fund at such time from the Reserve Fund equal to the difference between the amount on deposit therein and the full amount so required to be transferred to the Paying Agent. The City 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 a 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. 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 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 Debt Service 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 City to the Rebate Fund or the Bond Fund.

If there are insufficient moneys available in the Reserve Fund to make any such required payment into the Bond Fund as set forth above, then the amount of such remaining insufficiency shall be paid into the Bond Fund from available moneys on deposit in the Project Fund.

Section 609. Rebate Fund. Fourthly, 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 fund hereby created and to be known as the "City of Thornton, Colorado, Water Enterprise Revenue Bonds, Series 2020 Rebate Fund" (the "Rebate Fund") moneys in the amounts and at the times specified in the Tax Compliance Certificate so as to enable the City 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 City 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 City shall transfer moneys in the amount of the insufficiency to the Rebate Fund from available moneys in the Project Fund and, to the extent permitted by Section 608 hereof, from the Reserve Fund and the Bond Fund. Upon receipt by the City 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. Fifthly, 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 City for the payment of Debt Service 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, and any payments on Financial Products Agreements which have a lien on Net Revenues subordinate and junior to the lien thereon of the Bonds.

Section 611. Use of Remaining Revenues. After the payments hereinabove required to be made by Sections 602 through 610 hereof are made or provided for in each month, any remaining Net Revenues in the Income Fund in such month may be used for any one or any combination of necessary purposes relating to the operation, improvement or debt management of the System and for any one or any combination of lawful purposes as the City may from time to time determine.

ARTICLE VII

GENERAL ADMINISTRATION

Section 701. Administration of Accounts. The special funds and accounts designated in Articles V and VI hereof that are to be maintained by the City shall be administered as provided in this Article (but not any account under Section 1201 hereof). The Costs of Issuance Fund shall be maintained and applied in accordance with the Paying Agent Agreement.

Section 702. Places and Times of Deposits. Except as hereinafter provided, each of such special accounts that are to be maintained by the City shall be maintained 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.

Section 703. Investment of Moneys. Any moneys in the Income Fund, Project Fund, Bond Fund, Reserve Fund and Rebate Fund and not needed for immediate use shall be invested or reinvested by the Director of Finance in Permitted Investments. 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 Director of Finance at the time of such investment or reinvestment; provided that (1) Permitted Investments 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 Permitted Investments may have a maturity of more than five years from the date of purchase thereof. For the purpose of any such investment or reinvestment, Permitted Investments 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 Permitted Investments 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 Project 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 Project 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 Director of Finance, 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 Permitted Investments shall be deemed to take place as a result of market fluctuations of the Permitted Investments 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, Permitted Investments 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 City until such gain is realized by the presentation of matured coupons for payment or otherwise.

Section 705. Redemption or Sale of Permitted Investments. The Director of Finance shall present for redemption or sale on the prevailing market at the best price obtainable any Permitted Investments 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 Director of Finance or any other officer or employee of the City 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 Permitted Investments, or both such money and such Permitted Investments. 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 Debt Service Requirements. The moneys credited to any fund or account designated in Article VI hereof for the payment of the Debt Service 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 Debt Service 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. First Lien Bonds. The Bonds constitute an irrevocable and first lien (but not necessarily an exclusive first lien) upon the Net Revenues. The Bonds also constitute an irrevocable and first lien upon the moneys on deposit in the Project Fund, the Bond Fund and the Reserve Fund.

Section 802. Equality of Bonds. The Bonds, the 2013 Bonds, and any Parity Bonds hereafter authorized to be issued and from time to time Outstanding and any Parity Financial Products Agreements hereafter entered into are equitably and ratably secured by a lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds, the 2013 Bonds and any other such Parity Bonds, or of the entering into of the Parity Financial Products Agreements, it being the intention of the City that there shall be no priority among the Bonds, the 2013 Bonds, any such Parity Bonds and any Parity Financial Products Agreements regardless of the fact that they may be actually issued and delivered at different times, except that (a) moneys in the Project Fund, Bond Fund and Reserve Fund shall secure only the Bonds, and (b) other Parity Bonds may have a lien on Net Revenues on a parity with the 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.

Section 803. Issuance of Parity Bonds. The City may issue additional Parity Bonds payable from the Net 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 are authorized or actually issued the following conditions shall be satisfied:

A. Absence of Payment Default. At the time of the adoption of the ordinance or other instrument authorizing the issuance of the additional Parity Bonds, the City shall not be in default in making any payments required by Article VI hereof.

B. Historic Earnings Test. Except as hereinafter provided in the case of additional Parity Bonds issued for the purpose of refunding less than all of the Bonds and other Parity Bonds then Outstanding, the Net 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 the sum of (i) 110% of the Maximum Annual Debt Service Requirements of the Outstanding Bonds, any Outstanding Parity Bonds and the Parity Bonds proposed to be issued, plus (ii) 100% of the Maximum Annual Debt Service Requirements of any Outstanding Subordinate Securities, plus (iii) 100% of any policy costs then due and owing, if any, except as hereinafter otherwise expressly provided. If any adjustment in water rates, fees, tolls or charges or tap fees, or any combination thereof, is made by the City during such twelve month period, the calculation of the Net Revenues shall be adjusted to reflect the amount thereof that would have been received if such adjustment had been in effect throughout such twelve month period. In the case of additional Parity Bonds issued for the purpose of refunding less than all of the Bonds and other Parity Bonds then Outstanding, compliance with this Section 803B shall not be required so long as the Debt Service Requirements payable on the Bonds and all other Parity Bonds Outstanding after the issuance of such additional Parity Bonds in each Bond Year does not exceed the Debt Service Requirements payable on the Bonds and all other Parity Bonds Outstanding prior to the issuance of such additional Parity Bonds in such Bond Year.

Section 804. Certification of Revenues. Where certifications of revenues are required by this Ordinance, the specified and required written certifications of an Independent Accountant, an Independent Engineer, and Independent Rate Consultant or the Director of Finance that revenues are sufficient to pay the required amounts shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional Parity Bonds.

Section 805. Subordinate Securities Permitted. Nothing herein prevents the City from issuing additional securities payable from the Net 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 City to issue additional securities payable from the Net Revenues and having a lien thereon prior and superior to the lien thereon of the Bonds.

ARTICLE IX

PROTECTIVE COVENANTS

Section 901. General. The City 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 City, 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 Revenues and the System required by the Constitution and laws of the State and the Charter and various ordinances of the City, 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 Revenues and their application from time to time to the respective accounts provided therefor.

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

Section 904. Further Assurances. At any and all times the City shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Net Revenues and other moneys and accounts hereby pledged or assigned, or intended so to be, or which the City 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 City amendatory thereof, or supplemental thereto and the Charter. The City, 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 Net 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 City, the Supplemental Public Securities Act and this Ordinance to exist, to have happened and to have been performed precedent to or in the issuance of the Bonds

shall exist, have happened, and have been performed; and the Bonds, together with all other obligations of the City, shall not contravene any debt or other limitation prescribed by the State Constitution or the Charter of the City.

Section 906. Efficient Operation and Maintenance. The City shall at all times operate the System properly and in a sound and economical manner; and the City 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 City in connection with the maintenance, repair and operation of the System shall be reasonable and proper.

Section 907. Rules, Regulations and Other Details. The City, acting by and through the Council, shall establish and enforce reasonable rules and regulations governing the operation, use and services of the System. The City 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 City.

Section 908. Payment of Governmental Charges. The City 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 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 City shall not create or suffer to be created any lien upon the System, or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this Ordinance for the payment of the Debt Service Requirements of the Bonds and except as herein otherwise permitted. The City 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 Revenues; but nothing herein requires the City 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 City, the officers, agents and employees of the City, 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 Debt Service Requirements of the Bonds and any other securities payable from the Net Revenues or any Financial Products Agreement 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 Revenues or any Financial Products Agreement might be prejudicially and materially impaired or diminished.

Section 910. Prompt Payment of Bonds. The City shall promptly pay the Debt Service 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 Fund and Reserve Fund. 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 Debt Service 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 1201 hereof.

Section 912. Other Liens. Other than the 2013 Bonds and 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 Revenues on a parity with or superior to the lien thereon of the Bonds.

Section 913. Corporate Existence. The City 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 City and is obligated by law to operate and maintain the System and to fix and collect the Gross 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, 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 Debt Service 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 City 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 City 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 City 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 City may determine, and any proceeds of any such lease received shall be deposited by the City as Gross Revenues in the Income Fund.

Section 916. Competing System. So long as any of the Bonds are Outstanding, the City shall not grant any franchise or license to any competing facilities so that the Gross 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 City 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 City may determine.

Section 918. Employment of Management Engineers. If the City defaults in paying the Debt Service Requirements of the Bonds and any other securities payable from the Gross 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 Revenues in any Fiscal Year fail to equal at least the amount of the Debt Service Requirements of the Outstanding Bonds and any other securities (including all reserves therefor specified in the authorizing proceedings, including, without limitation, this Ordinance) or any Financial Products Agreements payable from the Net Revenues in that Fiscal Year, the City 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 Revenues are less than the amount hereinabove designated in this Section.

Section 919. Budgets. The Council and officials of the City 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 City for the use of or otherwise pertaining to and services rendered by the System to the City, to its inhabitants and to all other users within and without the boundaries of the City 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 Debt Service Requirements of all Bonds and any other securities payable from the Net Revenues, including, without limitation, reserves and any replacement accounts therefor and, without duplication, its obligations under any Financial Products Agreements.

Section 921. Adequacy and Applicability of Charges. There shall be charged against users of service pertaining to and users of the System, including the City, except as provided by Section 922 hereof, such fees, rates and other charges so that the Gross 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 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. Debt Service Requirements. An amount equal to 110% of the Debt Service Requirements on the Bonds, the 2013 Bonds and any other Parity Bonds then Outstanding payable from the Net Revenues in that Fiscal Year (excluding the reserves therefor) in each case computed as of the beginning of such Fiscal Year, plus 100% of the Debt Service Requirements on any Subordinate Securities then Outstanding payable from the Net Revenues in that Fiscal Year (excluding the reserves therefor) in each case computed as of the beginning of such Fiscal Year;

C. Other Charges. Amounts necessary to pay and discharge all charges and liens on the System currently coming due and required to be paid out of the Gross Revenues during such Fiscal Year; and

D. Deficiencies. Any amounts required to pay all sums, if any, due and owing to meet then existing deficiencies pertaining to any fund or account relating to the Gross Revenues or any securities payable therefrom and any amounts necessary to satisfy its covenants under any Financial Products Agreements (other than Financial Products Payments).

In the event that Gross Revenues collected during a Fiscal Year are not sufficient to meet the requirements of the rate covenant set forth above in this Section, the City shall, within 90 days of the end of such Fiscal Year, cause an Independent Accountant, Independent Engineer or Independent Rate Consultant, to prepare a rate study for the purpose of recommending a schedule of rates, fees and charges for the use of the System which in the opinion of the firm conducting the study will be sufficient to provide Gross Revenues to be collected in the next succeeding Fiscal Year which will provide compliance with said rate covenant. The City shall, within six months of receipt of such study, adopt rates, fees and charges for the use of the System, based upon the recommendations contained in such study, which provide compliance with said rate covenant.

Section 922. Limitations Upon Free Service. No free service or facilities shall be furnished by the System, except as hereinafter provided. If the City elects to use for municipal purposes any water, water 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 City's general fund or from other available revenues other than Gross Revenues at the reasonable value of the use so made; provided that the City need not pay for any such use by the City of any facilities of the water system for fire protection purposes and the City shall not be required to pay any system development fees. All the income so derived from the City 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.

Section 923. Levy of Charges. The City 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 City 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 City shall cause all fees, rates and other charges pertaining to the System to be collected as soon as is reasonable, shall 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 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, 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 or any Financial Products Agreement payable from the Gross Revenues remain Outstanding, proper books of record and account shall be kept by the City, separate and apart from all other records and accounts.

Section 927. Audits Required. The City, annually 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 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 City 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 City and of each Owner of a Bond. If any useful part of the System shall be damaged or destroyed, the City 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 City 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 City 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. Tax Exemption. The City covenants for the benefit of the Owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the City or any facilities financed 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 Tax 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 Tax Code, or (c) would cause interest on the Bonds to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present State law. In furtherance of this covenant, the City agrees to comply with the procedures set forth in the Tax Compliance Certificate. 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 City in fulfilling the above covenant under the Tax Code and Colorado law have been met.

Section 931. Continuing Disclosure. The City shall comply with the provisions of the Continuing Disclosure Certificate. Any failure by the City 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 City's non-compliance with its obligations under this Section.

Section 932. Financial Products Agreements. No payments under a Financial Products Agreement shall be secured by a lien on Net Revenues prior and superior to the lien thereon of the Bonds. Notwithstanding any other provision of this Ordinance, no termination, settlement or similar payments required to be paid upon an early

termination of a Financial Products Agreement or as a result of any event of default thereunder shall be secured by a lien on Net Revenues on a parity with the Bonds.

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 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 Debt Service Requirements due in connection with his or her Bond or the obligation of the City to pay the Debt Service 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:"

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. Bankruptcy. The City shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or a court of competent jurisdiction shall approve a petition, filed with or without the consent of the City, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City, or of the whole or any substantial portion of its property.

E. Failure to Reconstruct. The City 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.

F. Appointment of Receiver. An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the City appointing a receiver or receivers for the System or for the Gross 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 City is not vacated or discharged or stayed on appeal within 60 days after entry.

G. Default of Any Other Provision. The City 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 30 days after written notice specifying such default and requiring the same to be remedied is given to the City 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 25% in aggregate principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the City 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 City 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 and the Providers of any Parity Financial Products Agreements.

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 City, 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 Revenues arising after the appointment of such receiver in the same manner as the City 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 City, 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 City 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 Debt Service 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 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 City 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 City under any agreement, lease or other contract involving the System or the Gross 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. Amendment of Ordinance.

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 City of any additional consideration, but with the written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such amendatory or supplemental ordinance excluding, pursuant to Section 102 B hereof, any Bonds which may then be held or owned for the account of the City. 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 City 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 City in this Ordinance contained other covenants and agreements thereafter to be observed;

(2) to subject to the covenants and agreements of the City in this Ordinance additional System revenues, to be defined and treated as Gross 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 City may deem necessary or desirable, and which shall not materially 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. 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 5 days in advance of the adoption of the amendment.

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 in the office of the Clerk an instrument or instruments executed by the Owners of at least a majority 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 a majority 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 City 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 a majority 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 City and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption by the City and upon the filing with the Clerk of an ordinance to that effect and with the consent 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 City's Bonds. At the time of any consent or of other action taken under this Article, the City shall furnish to the Clerk a certificate of the Director of Finance, upon which the City 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 City 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 102 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 City 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 City so determines, new Bonds, so modified as in the opinion of the City 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 City to the Rating Agencies at least 5 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 City 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 City 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 Debt Service 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 City 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 Debt Service 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 Debt Service 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 Debt Service 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 City shall cause to be delivered a verification report of an independent nationally recognized certified public accountant.

The release of the obligations of the City 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 City 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 of the City 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. The execution and delivery of such documents, instruments and certificates as may be reasonably required by the City's bond counsel or the Purchaser.

B. The execution and delivery of the Bonds, the Paying Agent Agreement and the Continuing Disclosure Certificate.

C. The execution and delivery of the Notice of Sale and the final Official Statement.

Section 1203. Provisions Related to Bond Insurance. If the Sale Certificate provides that the Bonds will be insured by a Bond Insurance Policy, the following provisions shall apply notwithstanding anything to the contrary in this Ordinance:

A. Except as hereafter provided, the Bond Insurer is hereby deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take including matters pertaining to amendments to this Ordinance, defaults and remedies.

B. The Bond Insurer is hereby deemed to be a third party beneficiary to this Ordinance.

C. Amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of this Ordinance and shall remain Outstanding and continue to be due and owing until paid by the City in accordance with this Ordinance. This Ordinance shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

D. The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy.

E. At the time that the City or the Paying Agent is required to give any notice hereunder to the Owners (other than a notice of mandatory sinking fund redemption), like notice shall be given to the Bond Insurer. The City shall also give notice to the Bond Insurer of any proposed amendment of this Ordinance.

F. The rights of the Bond Insurer to direct or consent to City or bondholder actions under this Ordinance shall be suspended during any period in which the Bond Insurer is in default in its payment obligations under the Bond Insurance Policy (except to the extent of amounts previously paid by the Bond Insurer and due and owing to the Bond Insurer) and shall be of no force or effect in the event the Bond Insurance Policy is no longer in effect or the Bond Insurer asserts that the Bond Insurance Policy is not in effect or the Bond Insurer shall have provided written notice that it waives such rights.

Section 1204. 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 Clerk 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 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 City at:

City of Thornton, Colorado
9500 Civic Center Drive
Thornton, Colorado 80229
Attention: Director of Finance

If to the Paying Agent at:

U.S. Bank National Association
Attention: Global Corporate Trust Services
950 17th Street, 12th Floor
Denver, CO 80202

The City and the Paying Agent may, by written notice, designate any further means of communication – such as electronic mail – and further or different addresses to which subsequent notices, certificates 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 City shall redeem any portion of the Bonds Outstanding prior to maturity, but excluding redemptions pursuant to Section 402 hereof, (b) the City 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.

Section 1208. Electronic Transactions. In the event the Mayor, Clerk, City Manager, Director of Finance, or other employee or official of the City that is authorized or directed to execute any agreement, document, certificate, instrument or other paper in accordance with this Ordinance (collectively, the "Authorized Documents") is not able to be physically present to manually sign any such Authorized Document, such individual or individuals are hereby authorized to execute Authorized Documents electronically via facsimile or email signature. Any electronic signature so affixed to any Authorized Document shall carry the full legal force and effect of any original, handwritten signature. This provision is made pursuant to Article 71.3 of Title 24, C.R.S., also known as the Uniform Electronic Transactions Act.

The transactions described herein and authorized by this Ordinance may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

INTRODUCED, READ, PASSED on first reading, ordered posted in full, and title ordered published by the City Council of the City of Thornton, Colorado, on September 8, 2020.

PASSED AND ADOPTED on second and final reading on September 22, 2020.

CITY OF THORNTON, COLORADO

Jan Kulmann, Mayor

ATTEST:

Kristen N. Rosenbaum, City Clerk

THIS ORDINANCE IS ON FILE IN THE CITY CLERK'S OFFICE FOR PUBLIC INSPECTION.

APPROVED AS TO LEGAL FORM:

Luis A. Gorchado, City Attorney

PUBLICATION:

Posted at City Hall, Margaret W. Carpenter Recreation Center, and Thornton Active Adult Center after first and second readings.

Published on the City's official website after first reading on September 9, 2020, and after second and final reading on September 23, 2020.

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 City 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 ADAMS

CITY OF THORNTON, COLORADO
WATER ENTERPRISE REVENUE BOND
SERIES 2020

No. R- $_____

INTEREST RATE	MATURITY DATE	DATED AS OF	CUSIP
_____%	_____ ___, 20__		
_____	_____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____
DOLLARS

The City of Thornton (the "City"), in the County of Adams 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 June 1, 2021, until the principal amount is paid or payment has been provided for, as described in an ordinance adopted by the City Council of the City on September 22, 2020 (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 and the Sale Certificate.

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 City and the Paying Agent, 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 CITY, SECURED BY THE NET REVENUES. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE CITY, THE STATE NOR ANY OF THE POLITICAL SUBDIVISIONS THEREOF IS LIABLE THEREFOR. NEITHER THE MEMBERS OF THE CITY 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 City 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 City, 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 City, as expressed in the Ordinance, that this recital shall conclusively impart full compliance with all of the provisions of the 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 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.

IN WITNESS WHEREOF, the City has caused this Bond to be signed and executed in its name and upon its behalf with the facsimile signature of its Mayor and countersigned with the facsimile signature of its City Treasurer, and has caused the facsimile of the seal of the City to be affixed hereon and has caused this Bond to be signed, executed and attested with the facsimile signature of its Clerk, all as of the date specified above.

CITY OF THORNTON, COLORADO

(SEAL)

By (Facsimile Signature)
Mayor

COUNTERSIGNED:

(Facsimile Signature)
City Treasurer

ATTEST:

(Facsimile Signature)
Clerk

(FORM OF CERTIFICATE OF AUTHENTICATION)

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

U.S. BANK NATIONAL ASSOCIATION,
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 all rights thereunder, and hereby irrevocably constitutes and appoints _____ to transfer the within Bond on the records kept for the registration thereof with full power of substitution in the premises.

Dated: _____ _____

NOTICE: The signature to this assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever. The signature must be guaranteed by an eligible guarantor institution as defined in 17 CFR § 240.17 Ad-15(a)(2).

Signature Guaranteed by Member of the Medallion Signature Program:

_____

Address of Transferee:

_____

_____

_____

Social Security or other tax identification number of transferee:

_____

(END OF FORM OF ASSIGNMENT)

(FORM OF PREPAYMENT PANEL)

PREPAYMENT PANEL

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

Date of Prepayment	Principal Prepaid	Signature of Authorized Representative of DTC

(END OF FORM OF PREPAYMENT PANEL)