

RESOLUTION NO MCM 2009-196

A RESOLUTION RATIFYING, CONFIRMING, AND APPROVING ORDINANCE NO. 4389 ADOPTED BY THE CITY COUNCIL OF THE CITY OF GRAND JUNCTION, COLORADO, TO AUTHORIZE THE ISSUANCE AND SALE OF THE CITY'S JOINT SEWER SYSTEM REVENUE BONDS, SERIES 2009 (DIRECT PAY BUILD AMERICA BONDS), PAYABLE SOLELY OUT OF THE NET REVENUES TO BE DERIVED FROM THE OPERATION OF THE JOINT SEWER SYSTEM OF THE CITY AND MESA COUNTY, COLORADO AND CERTAIN OTHER REVENUES.

WHEREAS, the County of Mesa, Colorado (the "County"), is a county duly organized and existing under the laws of the State of Colorado ("State"); and

WHEREAS, the members of the Board of County Commissioners of the County (the "Board") have been duly elected or appointed and qualified; and

WHEREAS, the City of Grand Junction, Colorado (the "City") and the County entered into a Joint Sewerage Service Agreement, dated May 1, 1980, as amended on October 1, 1980, relating to the scope and operation of the joint sewerage system of the City and the County (the "Joint System") and the use of revenues from the Joint System, which includes all of the revenues and charges for connection to and use of the Joint System from whatever source derived, including, but not limited to, tap fees and sewer user charges, but excluding surcharges or add-on charges made by the City, the County, or any district for services or facilities provided by other than the Joint System; and

WHEREAS, the City and the County further entered into a 1999 Intergovernmental Agreement, dated October 13, 1998 (the "Policy Agreement"), which requires the City and the County to jointly establish and provide policy direction for the Joint System but designates the City as the operator and manager of the Joint System; and

WHEREAS, the Policy Agreement requires all bond issues and other financing arrangements relating to the Joint System to be approved by both the Council and the Board; and

WHEREAS, on November 2, 2009, the City Council of the City of Grand Junction, Colorado (the "City"), adopted Ordinance No. 4389 (the "Ordinance"), authorizing the issuance and sale of not to exceed \$5,250,000 aggregate principal amount of "City of Grand Junction, Colorado, Joint Sewer System Revenue Bonds, Series 2009 (Direct Pay Build America Bonds) (the "Bonds"); and

WHEREAS, the proceeds of the Bonds will be used to extend, better, otherwise improve, and equip the Joint System; and

WHEREAS, the Bonds are payable from the Net Revenues (as defined in the Ordinance) of the Joint System.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MESA COUNTY, COLORADO:

Section 1. All of the provisions of the Ordinance are hereby ratified, confirmed and approved.

Section 2. Each and every section and provision of the Ordinance is hereby made a part of this Resolution, the same as if each such section and provision were set forth at length herein. The Ordinance is attached to this Resolution as Exhibit A

Section 3. After any of the Bonds are issued, this Resolution shall constitute an irrevocable contract between the County and the owner or owners of the Bonds; and this Resolution shall be and shall remain irrevocable until the Bonds and the interest thereon shall be fully paid, cancelled and discharged.

Section 4. If any provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any of the remaining provisions of this Resolution.

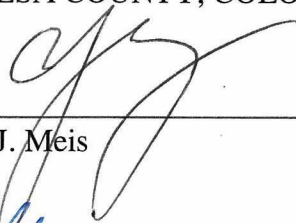
Section 5. All by-laws, orders, and resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any by-law, order, or resolution, or part thereof, heretofore repealed.

Section 6. This Resolution shall be in full force and effect from and after its passage by the Board.

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ADOPTED AND APPROVED this 9th day of November, 2009.

BOARD OF COUNTY COMMISSIONERS
OF MESA COUNTY, COLORADO



Craig J. Meis



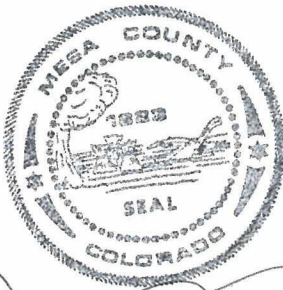
Steven Acquafresca

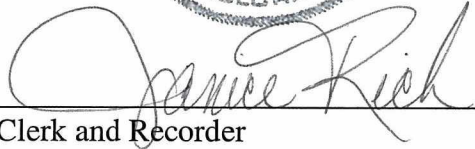


Janet Rowland

(SEAL)

Attest:





Clerk and Recorder
Mesa County, Colorado

EXHIBIT A

CITY OF GRAND JUNCTION, COLORADO
ORDINANCE NO. 4389

ORDINANCE NO. 4389

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF GRAND JUNCTION, COLORADO, TAXABLE JOINT SEWER SYSTEM REVENUE BONDS (DIRECT PAY BUILD AMERICA BONDS), SERIES 2009, PAYABLE SOLELY OUT OF THE NET REVENUES TO BE DERIVED FROM THE OPERATION OF THE JOINT SEWER SYSTEM OF THE CITY AND MESA COUNTY, COLORADO AND CERTAIN OTHER REVENUES

WHEREAS, the City of Grand Junction, Colorado (the "City"), is a home rule city duly existing under the Constitution and laws of the State of Colorado and its City Charter (the "Charter"); and

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

WHEREAS, the County of Mesa, Colorado (the "County"), is a county duly organized and existing under the laws of the State of Colorado; and

WHEREAS, the members of the Board of County Commissioners of the County (the "Board") have been duly elected or appointed and qualified; and

WHEREAS, the City and the County entered into a Joint Sewerage Service Agreement, dated May 1, 1980, as amended on October 1, 1980, relating to the scope and operation of the joint sewerage system of the City and the County (the "Joint System") and the use of revenues from the Joint System, which includes all of the revenues and charges for connection to and use of the Joint System from whatever source derived, including, but not limited to, tap fees and sewer user charges, but excluding surcharges or add-on charges made by the City, the County, or any district for services or facilities provided by other than the Joint System; and

WHEREAS, the City and the County further entered into a 1999 Intergovernmental Agreement, dated October 13, 1998 (the "Policy Agreement"), which requires the City and the County to jointly establish and provide policy direction for the Joint System but designates the City as the operator and manager of the Joint System; and

WHEREAS, the Policy Agreement requires all bond issues and other financing arrangements relating to the Joint System to be approved by both the Council and the Board; and

WHEREAS, the Council and the Board propose to extend, better, otherwise improve, and equip the Joint System (the "Project"); and

WHEREAS, the City, with the prior consent and approval of the County, intends to issue its "City of Grand Junction, Colorado, Taxable Joint Sewer System

Revenue Bonds (Direct Pay Build America Bonds), Series 2009” (the “Bonds”) to defray in part the cost of the Project; and

WHEREAS, the City is authorized pursuant to Section 93(f) of its Charter and Title 37, Article 45.1 of the Colorado Revised Statutes, as amended, to issue the Bonds and to pledge the Net Revenues (hereinafter defined) of the Joint System to the repayment of the Bonds; and

WHEREAS, the City has determined that the Joint System constitutes an enterprise pursuant to Article X, Section 20 of the Colorado Constitution and that the Bonds may therefore be issued without an election; and

WHEREAS, the City and the County have entered into a Loan Agreement, dated as of May 1, 2002 (the “Loan Agreement”), with the Colorado Water Resources and Power Development Authority (the “Authority”), evidencing a loan from the Authority to the City and the County (the “Loan”) that is secured by a pledge of the Net Revenues of the Joint System; and

WHEREAS, the City and the County are not delinquent in the payment of any loan payments due under the Loan Agreement and the issuance of the Bonds within the parameters described herein does not contravene the terms and provisions of the Loan Agreement; and

WHEREAS, except to secure the Loan, neither the City nor the County has pledged nor hypothecated the Gross Revenues derived or to be derived from the operation of the Joint System, or any part thereof, to the payment of any bonds or for any other purpose, with the result that the Net Revenues may now be pledged lawfully and irrevocably to the payment of the Bonds; and

WHEREAS, the City intends to negotiate a proposal with D.A. Davidson & Co., Denver, Colorado (the “Purchaser”), concerning the purchase of the Bonds; 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 Joint System;

B. The Bonds shall be issued for the Project;

C. Net Revenues shall be pledged to the payment of the Bonds on a parity with the Loan Agreement, and the BAB Credit (as defined herein) shall be exclusively pledged to the payment of the Bonds;

D. Because of market conditions, the Bonds shall be sold by negotiated sale to the Purchaser in accordance with its proposal, and that 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.

WHEREAS, there are on file with the City Clerk the forms of the following documents: (i) the form of the Purchase Contract (as defined herein); (ii) the form of the Paying Agent Agreement (as defined herein); (iii) the form of the Preliminary Official Statement (as defined herein); and (iv) the form of the Continuing Disclosure Certificate (as defined herein); and

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

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF GRAND JUNCTION, COLORADO:

ARTICLE I

DEFINITIONS, INTERPRETATION, RATIFICATION AND EFFECTIVE DATE

Section 101. Short Title. This ordinance shall be known as and may be cited by the short title "2009 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 Joint System, or an interest therein, or any other properties herein designated.

"Acquisition Fund" means the special account designated as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, Acquisition Fund" created pursuant to Section 501(B) hereof.

"Authority" means the Colorado Water Resources and Power Development Authority.

"BAB Credit" means the credit provided in Section 6431 of the Code in lieu of any credit otherwise available to the Owners of BABs under Section 54AA(a) of the Code.

"BABs" means the Bonds and any future Parity Lien Bonds with respect to which the City expects to receive a BAB Credit.

"Balloon Bonds" means any securities payable from Net Revenues 25% or more of the original principal amount of which matures during any consecutive twelve month period if such maturing principal amount is not required to be amortized by mandatory redemption or prepayment prior to such period and if such twelve month period overlaps the Fiscal Year in which the Combined Maximum Annual Principal and Interest Requirements occur (without regard to the assumptions contained in clause (C)(3) of the definition of Combined Maximum Annual Principal and Interest Requirements).

"Board" means the Board of County Commissioners of the County.

"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 Account" means the special account designated as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, Bond Account" created pursuant to Section 605 hereof, which shall be used solely to pay debt service on the Bonds.

"Bond Requirements" means the principal of, any prior redemption premiums due in connection with, and the interest on the Bonds or any Parity Lien Bonds payable from (A) the Net Revenues and, (B) with respect to BABs, including the Bonds, from the BAB Credit payable with respect such BABs.

"Bonds" means those securities issued hereunder and designated as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009."

"Book-entry form" or "book-entry system" means, with respect to the Bonds, a form or system, as applicable, under which physical Bond certificates in fully registered form are registered only in the name of The Depository Trust Company or its nominee as Owner, with the physical Bond certificates "immobilized" in the custody of The Depository Trust Company. The book-entry system maintained by and the responsibility of The Depository Trust Company and not maintained by or the responsibility of the City or the Paying Agent is the record that identifies, and records the transfer of the interests of, the owners of book-entry interests in the Bonds.

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

“Capital Improvements” means the acquisition of land, easements, facilities, equipment, and materials (other than ordinary repairs and replacements), and the construction or reconstruction or other acquisition of improvements, betterments, and extensions, for use by or in connection with the Joint System, including related planning, legal, and engineering expenses and administrative facilities, and further including, without limitation, any of the foregoing which are constructed, reconstructed, acquired or owned on a cooperative basis with any other entities.

“City” means the City of Grand Junction, Colorado.

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

“Charter” means the City Charter.

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

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

“Combined Maximum Annual Principal and Interest Requirements” means the largest sum of the principal of and interest on the Bonds and any other Outstanding Parity Lien Bonds, excluding any securities the principal of which is payable within less than one year from the date on which issued, to be paid during any one Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later (but excluding any reserve requirement to secure such payments unless otherwise expressly provided), subject in all respects to the following, as applicable:

(A) The word “principal,” as used in this definition, means the principal which must be paid to security Owners, whether on stated maturity dates or on mandatory Redemption Dates, or otherwise.

(B) Any computation made under this definition shall be adjusted for all purposes in the same manner as is provided in Section 803(C) hereof.

(C) For purposes of this definition, (1) Variable Rate Bonds shall be assumed to bear interest at the highest of: (a) the actual rate of any Outstanding Variable Rate Bonds on the date of computation, or if the Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding), (b) if the Variable Rate Bonds have been Outstanding for at least twelve months, the average rate over the

twelve months immediately preceding the date of computation, or if no Variable Rate Bonds are Outstanding for such twelve months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Variable Rate Bonds to be issued or (c) (i) if interest on the Variable Rate Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer "Revenue Bond Index" (or if such Index is not published within 30 days prior to such determination, such index selected by the City and acceptable to the Insurer), or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities; (2) any Tender Bonds Outstanding at the time of such determination shall mature on the stated maturity or mandatory Redemption Date or Dates thereof; and (3) any Balloon Bonds Outstanding at the time of such determination which mature more than six months thereafter shall be deemed to mature over 30 years from the date of issuance of the Balloon Bonds, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Revenue Bond Index or if such Index is no longer published, of a comparable index selected by the City and acceptable to the Insurer and will be payable on a level annual debt service basis over a thirty year period.

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

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the City in connection with the issuance of the Bonds, which constitutes an undertaking pursuant to Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission.

"County" means Mesa County, Colorado.

"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 Council, 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 Reserve Account Insurance Policy issued by the Insurer;

(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 Joint System; and

(P) All other expenses pertaining to the Project.

"Council" means the Council of the City.

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

"Extraordinary Event" means an event causing the BAB Credit expected to be received with respect to the Bonds to be eliminated or reduced, as

reasonably determined by the Finance Director, which determination shall be conclusive, as a result of:

(A) a material adverse change to Section 54AA or 6431 of the Code,

(B) guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections, or

(C) a determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of a failure of the City to satisfy the requirements of Section 930 hereof.

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

“Federal Securities” means bills, certificates of indebtedness, notes, bonds or other similar instruments which are direct non-callable obligations of the United States of America or which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

“Finance Director” means the Financial Operations Manager of the City, or his or her successor in functions, if any.

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

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

(A) All fees, rates, and other charges for the use of the Joint System, or for any service rendered 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:

(1) Excluding (subject to Section 601 hereof) any moneys borrowed and used for the acquisition of Capital Improvements or for the refunding of securities and income or other gain from any investment of such borrowed moneys;

(2) 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 Joint System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom; and

(3) Excluding surcharges or add-on charges made by the City, the County, or any district for services or facilities not provided by the Joint System;

(B) All income or other gain from any investment of Gross Revenues (including without limitation the income or gain from any investment of all moneys in the Bond Account and Reserve Account and of all Net Revenues, but excluding borrowed moneys and all income or other gain thereon in the Acquisition Fund, any other acquisition fund, or any escrow fund for any securities heretofore or hereafter issued), unless the Council and the Board otherwise provide by ordinance and resolution; and

(C) All income and revenues derived from the operation of any other utility or other income-producing facilities added to the Joint System and to which the pledge and lien herein provided are extended.

“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 Income Fund of the City created by the Loan Agreement and continued in Section 602 hereof, into which all Gross Revenues are directed to be deposited as provided 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 Joint 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.

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

“Insurer” means the issuer of the Insurance Policy, if any.

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

“Joint System” means the municipal wastewater system, consisting of all properties, real, personal, mixed or otherwise, now a part of or hereafter acquired by the Joint System, the City, or the County, through purchase construction, or otherwise, and used in connection with the Joint System, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the County; and, with the prior written consent of the Insurer, such defined term includes any other utility or other income-producing facilities added to the Joint System and to which the lien and pledge herein provided are extended by ordinance or resolution adopted by the Council and the Board.

“Letter of Representations” means the Letter of Representations from the City and The Depository Trust Company in connection with the issuance of the Bonds in a book-entry system, as supplemented and amended from time to time.

“Loan Agreement” means the Loan Agreement, dated as of May 1, 2002, by and among the Authority, the City, and the County, relating to the Loan.

“Loan” means the loan from the Authority to the City and the County evidenced by the Loan Agreement.

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

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

“Operation and Maintenance Expenses” means all reasonable and necessary current expenses, paid or accrued, of operating, maintaining, and repairing the Joint 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.

“Operation and Maintenance Expenses Reserve Account” means the Operations and Maintenance Reserve Fund created in the Loan Agreement and

continued in Section 607 hereof for so long as the Loan, or any portion thereof, is outstanding.

“Outstanding” when used with reference to the Bonds, the Parity Lien Bonds, or any other designated securities, and as of any particular date, means all of the Bonds, the Parity Lien Bonds, or any such other securities payable from the Net Revenues or otherwise pertaining to the Joint 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 1301 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 Lien Bonds” means the Loan and any other securities hereafter issued payable from and having an irrevocable lien upon the Net Revenues on a parity with the Bonds.

“Parity Bond Ordinances” means the Loan Agreement and any agreements hereafter entered into by the City, with the consent of the Board, with respect to Parity Lien Bonds and, without duplication, any ordinances hereafter adopted by the Council, with the consent of the Board, authorizing the issuance of Parity Lien Bonds.

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

“Paying Agent Agreement” means the Registrar and Paying Agent Agreement between the City and the Paying Agent.

“Person” means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State, or any other body corporate and politic other than the City), partnership, limited liability company, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

"Policy Agreement" means the 1999 Intergovernmental Agreement, dated October 13, 1998, which (A) requires the Council and the Board to jointly establish and provide policy direction for the Joint System, and (B) appoints the City as the operator and manager of the Joint System.

"Policy Costs" means repayment of draws under the Reserve Account Insurance Policy, if any, plus all related reasonable expenses incurred by the Surety Provider.

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

"President" means the President of the Council, or his or her successor in functions.

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

"Pro Rata Portion" means the dollar amount derived by dividing the amount of principal or interest to come due on the next principal or interest payment date by the number of monthly credits required to be made prior to such payment date.

"Purchaser" means D.A. Davidson & Co., Denver, Colorado.

"Purchase Contract" means the Bond Purchase Agreement between the City and the Purchaser concerning the purchase of the Bonds.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds.

"Rebate Fund" means the special account designated as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, Rebate Fund" created pursuant to Section 608 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 Account" means the special account designated as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct

Pay Build America Bonds), Series 2009, Reserve Account” created pursuant to Section 606 hereof and securing only the Bonds.

“Reserve Account Insurance Policy” any insurance policy, surety bond, irrevocable letter of credit or similar instrument deposited in or credited to the Reserve Account in lieu of or in partial substitution for moneys on deposit therein. The issuer providing any such Reserve Account Insurance Policy shall be an issuer which then is rated in one of the four highest investment grade rating categories by one or more nationally recognized organizations which regularly rate such obligations.

“Reserve Account Requirement” has the meaning ascribed to such term in the Sale Certificate.

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

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

“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.

“State” means the State of Colorado.

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

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

“Surety Provider” means any entity issuing a Reserve Account Insurance Policy with respect to the Bonds.

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

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

"Term Bonds" means Bonds that are payable on or before their specified 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 that is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

"Variable Rate Bonds" means 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 or County Held Securities. Any securities held by the City or the County that are payable from Net Revenues 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 County, the Board, the Paying Agent, the Insurer, the Surety Provider, the Owners of the Bonds and the Owners of any Parity Lien Bonds or other securities payable from the Net Revenues when reference is expressly made thereto. All of the covenants, stipulations, promises and agreements herein contained by and on behalf of the City and the County shall be for the sole and exclusive benefit of the City and the County, the Council, the Board, the Paying Agent, the Insurer, the Surety Provider, the Owners of the Bonds and the Owners of any such other securities in the event of such a reference.

Section 104. Ratification; Approval of Documents. All action heretofore taken (not inconsistent with the provisions of this ordinance) by the Council and the officers of 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 Bond Requirements, shall be fully paid, canceled, and discharged, except as herein otherwise provided.

Section 108. Effective Date and Disposition. This ordinance shall be in full force and effect 30 days after publication following final passage.

ARTICLE II

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

Section 201. Authority for this Ordinance. The Bonds are issued in accordance with (A) Section 93(f) of the Charter, Title 37, Article 45.1 of the Colorado Revised Statutes, as amended, and Title 11, Article 59.7 of the Colorado Revised Statutes, as amended, (B) the Policy Agreement, (C) this ordinance, and (D) the Supplemental Public Securities Act. For the purpose of defraying the cost of the Project, the Council, with the consent of the Board, hereby authorizes to be issued its "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009," in the aggregate principal amount provided in the Sale Certificate, subject to the parameters and restrictions contained in this ordinance.

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, 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 Bond Requirements of the Bonds and the Policy Costs shall be payable and collectible out of the Net Revenues, and the Bonds shall be further payable from the BAB Credit, which revenues are so pledged; the Owner or Owners of the Bonds and the Surety Provider may not look to any general or other fund for the payment of such Bond Requirements, except the herein designated special funds pledged therefor; the Bonds and the Policy Costs shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; and the Bonds and the Policy Costs shall not be considered or held to be general obligations of the City but shall constitute its special obligations. No 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 Bond Requirements of the Bonds and the Policy Costs as herein provided.

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

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

Section 206. No Recourse Against Officers and Agents. No recourse shall be had for the payment of the Bond Requirements of the Bonds or 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, 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 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 hereby confirms that the Joint System is an "enterprise" for the purposes of Article X, Section 20 of the Colorado Constitution.

Section 209. Sale of Bonds. The Bonds shall be sold by negotiated sale to the Purchaser. Pursuant to the Supplemental Public Securities Act, the Council hereby delegates to the President or the Finance Director the authority to execute the Sale Certificate and the Purchase Contract, subject to the parameters contained in this ordinance.

Section 210. Official Statement. The preparation and use of the Preliminary Official Statement and of the final Official Statement are hereby authorized. The Finance Director is hereby authorized to approve, on behalf of the City, the Official Statement. The execution of the Official Statement by the Finance Director shall be conclusively deemed to evidence the approval of the form and contents of the Official Statement by the Council with respect to the Joint System.

Section 211. Paying Agent Agreement. The Council hereby determines to approve the Paying Agent Agreement. If the Paying Agent appointed thereunder shall resign, or if the City shall determine to remove the Paying Agent, then the City may appoint a successor Paying Agent, upon notice mailed to each owner of any Bond at his address last shown on the registration records maintained by the Paying Agent. No resignation or dismissal of the Paying Agent may take effect until a successor has been appointed and has accepted the duties of the Paying Agent. Every such successor Paying Agent shall be a bank or trust company located in the United States of America

and having shareholder's equity (e.g., capital stock, surplus and profits), however denominated, of not less than \$10,000,000.

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

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. Pursuant to such election to apply Section 11-57-205 of the Supplemental Public Securities Act to the Bonds, the Council hereby delegates to the President or the Finance Director the authority to make the following determinations with respect to the Bonds, subject to the parameters and restrictions contained in this ordinance, without any requirement that the Council approve such determinations:

(A) Interest Rate. The net effective rate of interest to be borne by the Bonds, which shall not exceed 4.00% per annum net of any anticipated BAB Credit.

(B) Redemption Provisions. The prior redemption provisions of the Bonds, as set forth in the Sale Certificate. Such redemption provisions shall include the discount rate above the Treasury Rate (as defined in Section 403 hereof) required to be determined for extraordinary optional redemptions of the Bonds pursuant to Section 403 hereof.

(C) Purchase Price. The price at which the Bonds will be sold to the Purchaser, which shall not be less than 99.6% of the aggregate principal amount of the Bonds.

(D) Principal Amount. The aggregate principal amount of the Bonds, provided that such aggregate principal amount shall not exceed \$5,250,000.

(E) Interest Payment Dates. The interest payment dates for the Bonds, and the first interest payment date for the Bonds.

(F) Maturity Schedule. The amount of principal of the Bonds maturing, or subject to mandatory sinking fund redemption, in any particular year; to be not more than \$1,055,000 annually, and the total repayment cost shall not exceed \$6,900,000 without netting any anticipated BAB Credit.

(G) Reserve Account Requirement. The amount of the Reserve Account Requirement for the Reserve Account, subject to the limitations of the Code.

(H) Term of the Bonds. The Bonds shall mature no later than December 1, 2019.

(I) Bond Insurer. Either the President or the Finance Director may determine whether it is in the best interest of the City to obtain a municipal bond insurance policy, and if so determined, to execute any commitment or any other agreement relating to same. If the City should determine that the Bonds will not be insured, any reference to the Insurer or the Insurance Policy herein shall be of no force or effect.

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 the County and of defraying wholly or in part the Cost of the Project, the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009" in an aggregate principal amount set forth in the Sale Certificate (but not to exceed \$5,250,000) are hereby authorized to be issued; and the City pledges irrevocably, but not necessarily exclusively, the Net Revenues, and further irrevocably and exclusively pledges the BAB Credit relating to the Bonds, to the payment of the Bond Requirements of the Bonds.

Section 302. Bond Details.

A. Basic Provisions. The Bonds shall be issued in fully registered form (*i.e.* registered as to payment of both principal and interest), in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be lettered "R" and shall be numbered separately from 1 upward. The Bonds shall be dated as of the date of delivery of the Bonds. The Bonds shall mature on December 1, in the years and amounts and subject to prior redemption as set forth herein and in the Sale Certificate. The Bonds shall bear interest from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from their date until their respective maturities (or prior redemption) at the rates set forth in the Sale Certificate. No interest shall accrue on any Bonds owned by or on behalf of the City or the County.

B. Payment of Bonds. The principal of each Bond shall be payable at the principal corporate trust office of the Paying Agent, or at such other office as the Paying Agent directs in writing to the Owners of the Bonds, or at the principal office of its successor, upon presentation and surrender of the Bond. Payment of interest on any Bond shall be made to the Owner thereof by the Paying Agent on or before each interest payment date, (or, if such interest payment date is not a Business Day, on or

before the next succeeding Business Day), to such Owner at his or her address as it appears on the registration records kept by the Paying Agent on the Record Date; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date and the date fixed for payment of such defaulted interest shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners not less than ten days prior to the Special Record Date by first-class mail to each such Owner as shown on the Paying Agent's registration books on a date selected by the Paying Agent, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent. If any Bond is not paid upon its presentation and surrender at or after its maturity or prior redemption, interest shall continue at its stated rate per annum until the principal thereof is paid in full. All such payments shall be made in lawful money of the United States of America.

Section 303. Execution of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signature of the President of the Council, sealed with a manual or facsimile impression of the seal of the City, and attested by the manual or facsimile signature of the City Clerk; and shall be approved by the County with the manual or facsimile signature of the Chair of the Board, sealed with a manual or facsimile impression of the seal of the County, and attested by the manual or facsimile signature of the County Clerk. Any Bond may be signed (manually or by facsimile), approved, sealed or attested on behalf of the City or the County 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 President, the City Clerk, the Chair of the Board, and the County 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 President, the City Clerk, the Chair of the Board, and the County 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 Section 307 hereof, the Person in whose name any Bond shall be registered on the registration records kept by the Paying Agent shall be deemed and regarded as the absolute owner thereof for the purpose of making payment of the Bond Requirements thereof and for all other purposes; and payment of or on account of the Bond Requirements of any Bond shall be made only to the Owner thereof or his or her legal representative, but such registration may be changed upon transfer of such Bond in the manner and subject to the conditions and limitations provided herein. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid. The foregoing provisions of this Section are subject to the provisions of Section 308 hereof.

Section 306. Transfer and Exchange. Any Bond may be transferred upon the records required to be kept pursuant to the provisions of Section 305 hereof by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Whenever any Bond or Bonds shall be surrendered for transfer, the Paying Agent shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount and of the same maturity and interest rate and of any authorized denominations. The Bonds may be exchanged by the Paying Agent for a like aggregate principal amount of Bonds of the same maturity and interest rate and of other authorized denominations. The execution by the City, and approval by the County, 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, the County, 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, the County shall approve, 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, the County, and of the Paying Agent in connection with the issuance of such Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities.

Section 308. Custodial Deposit.

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

(1) to any successor of The Depository Trust Company or its nominee, which successor must be both a "clearing corporation" as defined in Section 4-8-102(a)(5), C.R.S. and a qualified and registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended; or

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

(3) upon the resignation of The Depository Trust Company or a successor or new depository institution under clause (1) above or designation of a new depository institution pursuant to clause (2) above, or a determination of the Council that The Depository Trust Company or such successor or depository institution is no

longer able to carry out its functions, and the failure by the Council, after reasonable investigation, to locate another depository institution under clause (2) to carry out such depository institution functions.

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

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

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

E. Redemption. Upon any partial redemption of Bonds of the same maturity and interest rate, Cede & Co. (or its successor) in its discretion may request the City to issue, the County to approve, and the Paying Agent to 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. 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 of the Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

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

ARTICLE IV

REDEMPTION

Section 401. Optional Redemption. The Bonds will be subject to redemption at the option of the City from any legally available funds on the dates, at the prices, and in the manner set forth in the Sale Certificate.

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

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

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

subject to mandatory sinking fund redemption on such date, which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Paying Agent and not theretofore applied as a credit against any sinking fund redemption obligation. Each Term Bond so delivered or previously redeemed will be credited by the Paying Agent at the principal amount thereof against the obligation of the 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. Extraordinary Optional Redemption of Bonds. Upon the occurrence of an Extraordinary Event, the Bonds are subject to extraordinary redemption prior to their respective maturity dates, at the option of the City, as described below.

From the date of execution and delivery of the Bonds up to, but not including, the first optional redemption date of the Bonds or, if the Bonds are not subject to optional redemption, the maturity date of such Bonds, the Bonds are subject to extraordinary redemption prior to their respective maturities, at the option of the City, upon the occurrence of an Extraordinary Event from any source of available funds, in whole or in part, by lot, at the "Make-Whole Redemption Price."

The "Make-Whole Redemption Price" means the amount equal to the greater of the following:

(A) the issue price of the Bonds set forth in the Purchase Contract (but not less than 100% of the principal amount of the Bonds to be redeemed); or

(B) the sum of the present value of the remaining scheduled payments of the principal of and interest on the Bonds to the maturity date of such Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be prepaid on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate, plus the fixed number of basis points determined by the Sale Certificate; plus, in each case, accrued interest on the Bonds to be redeemed to the redemption date.

For purpose of determining the Make-Whole Prepayment Price, the following definitions apply:

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United State Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly

available at least two Business Days prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Section 404. 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 405. Notice of Prior Redemption. 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 provisions of this Section, any notice of redemption shall either (a) contain a statement that the redemption is conditioned upon the receipt by the Paying Agent on or before the Redemption Date of funds sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the Owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed, or (b) be given only if funds sufficient to pay the redemption price of the Bonds so called for redemption are on deposit with the Paying Agent in the applicable fund or account.

Section 406. Bonds Owned by the City or the County. Bonds owned by or on behalf of the City or the County shall not be subject to redemption. At any time the City or the County may surrender any Bonds owned by or on behalf of the City or the County to the Paying Agent, which shall promptly cancel such Bonds.

Section 407. No Partial Redemption After Default. Anything in this ordinance to the contrary notwithstanding, if there shall have occurred and is continuing an Event of Default hereunder, there shall be no redemption of less than all of the Bonds at the time Outstanding (other than pursuant to Section 402 hereof).

ARTICLE V

USE OF BOND PROCEEDS AND OTHER MONEYS

Section 501. Disposition of Bond Proceeds. The proceeds of the Bonds (net of underwriting discount), upon the receipt thereof, shall be accounted for in the following manner and priority:

A. Reserve Account. An amount equal to the Reserve Account Requirement for the Bonds shall be credited to the special and separate account hereby created and to be known as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, Reserve Account."

B. Acquisition Fund. The remaining proceeds derived from the sale of the Bonds, upon the receipt thereof, shall be credited to the special and separate account hereby created and to be known as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, Acquisition Fund." Except as otherwise provided herein, the moneys in the Acquisition Fund shall be used solely for the purpose of paying the Cost of the Project and for the purposes set forth herein.

On the date of delivery of the Bonds, the City shall pay from the net proceeds of the Bonds the premiums payable to the Insurer, if any, for its Insurance Policy, and to the Surety Provider, if any, for its Reserve Account Insurance Policy.

Except as otherwise provided herein, the moneys in the Acquisition Fund shall be used solely for the purpose of paying the Cost of the Project and for the purposes set forth in Section 502 hereof. The City agrees that not more than 2% of the proceeds of the Bonds will be used for the payment of "issuance costs" within the meaning of Section 54A(e)(4) of the Code.

Section 502. Payment of Expenses. Moneys deposited in the Acquisition Fund pursuant to Section 501 hereof may be used and paid out by the City to defray the administrative costs 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 Acquisition 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 costs of the Project

referred to in Section 502 hereof, are paid, or for which full provision is made, the Finance Director, shall cause all surplus moneys remaining in the Acquisition 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 used exclusively for other capital expenditures related to the Joint System, unless the City obtains an opinion of Bond Counsel that the remaining funds in the Acquisition Fund may be used for another purpose.

Section 504. Lien on Bond Proceeds. Until the proceeds of the Bonds deposited in the Acquisition Fund are applied as herein provided, 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 Section 601 hereof.

Section 505. 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 PLEGGED REVENUES

Section 601. Pledge Securing Bonds. Subject only to the right of the City to cause amounts to be withdrawn and paid on account of Operation and Maintenance Expenses of the Joint System, the Gross Revenues and, subject to the right of the City to cause amounts to be withdrawn to pay the Cost of the Project as provided herein and other than moneys and securities held in the Rebate Fund to the extent such amounts are required to be paid to the United States, all moneys and securities paid or to be paid to or held or to be held in any account under this Article or under Section 501 hereof are hereby pledged to secure the payment of the Bond Requirements of the Outstanding Bonds and to secure the obligations of the City to pay the Policy Costs. The pledge of the Net Revenues to secure the payment of the Bond Requirements of the Outstanding Bonds and any Parity Lien Bonds is on a parity with the pledge of the Net Revenues for, and lien thereon of the Parity Lien Bonds heretofore issued and any other Parity Lien Bonds hereafter issued in compliance with the provisions of Article VIII hereof. The pledge of Net Revenues to secure the payment of the Policy Costs is subordinate only to the pledge to pay the Bond Requirements with respect to the Bonds and any Parity Lien Bonds. The BAB Credit relating to the Bonds is also pledged exclusively to the payment of the Bond Requirements on the Bonds. The pledge of the Net Revenues and the BAB Credit shall be valid and binding from and after the date of the delivery of the Bonds, and the moneys as received by the City and hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over

any or all other obligations and liabilities of the City and/or the County except any Outstanding Parity Lien Bonds heretofore or hereafter authorized and any Policy Costs as provided herein; provided, however, the BAB Credit relating to the Bonds is pledged exclusively to pay the Bond Requirements on the Bonds. The lien of the pledge of the Net Revenues and the BAB Credit as described in this section shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City (except as herein otherwise provided) irrespective of whether such parties have notice thereof.

Section 602. Income Fund Deposits. So long as any of the Bonds shall be Outstanding, as to any Bond Requirements related to the Bonds and the Parity Lien 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 created by the Loan Agreement and hereby continued known as the "City of Grand Junction, Colorado, Joint Sewer System Revenue Bonds, Income Fund."

Section 603. Administration of Income Fund. So long as any of the Bonds and any Parity Lien Bonds shall be Outstanding, as to any Bond Requirements, the following payments shall be made from the Income Fund, as provided in Sections 604 through 610 hereof.

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

Section 605. Bond Account Payments. Second, from any remaining Net Revenues, there shall be credited, concurrently with amounts required to meet the Bond Requirements for any Outstanding Parity Lien Bonds heretofore or hereinafter issued, to the special and separate account created herein exclusively for the Bonds and known as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, Bond Account" the following amounts:

A. Use of Moneys in the Bond Account. Moneys deposited in the Bond Account shall be used solely for the purpose of paying the principal of, premium, if any, and interest on the Bonds. A separate account has been established to pay the principal of and interest on the Loan, and separate bond accounts shall be established for any Parity Lien Bonds hereinafter issued. The Bond Account, the separate account established to pay the principal of and interest on the Loan, and any additional bond accounts established to pay the principal of and interest on Parity Lien Bonds hereinafter issued either presently have or will have upon their issuance a claim to the Net Revenues equal to and on a parity with that of the Bond Account.

B. Deposits to the Bond Account. On or before the last day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the City shall deposit to the Bond Account from the Net Revenues an amount equal to the Pro Rata Portion of the interest and principal to come due on the Bonds on the next succeeding interest payment date, concurrently with the deposits to all separate accounts of amounts equal to the Pro Rata Portion of the interest and principal to come due on any Outstanding Parity Lien Bonds on the next succeeding interest payment date. All deposits to the Bond Account shall first be allocated to the payment of interest to come due on the Bonds. The BAB Credit relating to the Bonds shall also be deposited directly into the Bond Account as and when received and such monies used as a credit against the next succeeding interest payment due on the Bonds; provided, however, if, after taking into account the amount already deposited into the Bond Account all or any portion of the BAB Credit is not needed to pay the next succeeding interest payment due on the Bonds the portion not so needed shall be used to reimburse the City for the amount already deposited into the Bond Account and shall instead be applied as otherwise provided in Sections 604 through 610 hereof.

C. Investments. Moneys deposited in the Bond Account may be invested or deposited in securities or obligations which are Investment Securities. The investment of moneys deposited in the Bond Account shall, however, be subject to the covenants and provisions of the Tax Compliance Certificate.

Section 606. Reserve Account. Third, from any remaining Net Revenues, there shall be credited, if necessary, sufficient amounts into a separate account known as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, Reserve Account," any amounts necessary to meet the Reserve Account Requirement, and to any such similar account created pursuant to an ordinance authorizing the issuance of Parity Lien Bonds, on a pro rata basis.

Upon the execution and delivery of the Bonds, the amount set forth in Section 501(A) hereof shall be deposited into the Reserve Account from proceeds of the Bonds or a Surety Bond. Notwithstanding any other provisions in this Ordinance to the contrary, moneys on deposit in Reserve Account shall only be used to pay debt service on the Bonds to the extent of any deficiency in the Bond Account, to pay rebate on the Bonds, or may be applied to the defeasance of the Bonds, unless the City receives an opinion of Special Counsel that any other use of moneys on deposit in the Reserve Account will not disqualify the Bonds as Build America Bonds under Section 54AA of the Code.

Moneys on deposit in the Reserve Account shall be released only upon receipt of an Opinion from Special Counsel that such release will not disqualify the Bonds as Build America Bonds under Section 54AA of the Tax Code. Any such opinion shall direct how any moneys so released from the Reserve Account may be applied by the City.

A. Use of Moneys in the Reserve Account. Moneys in the Reserve Account shall be used, if necessary, only to prevent a default in the payment of the principal of, premium, if any, and interest on the Bonds when due. Moneys on deposit in the Reserve Account, proceeds of the liquidation of Investment Securities on deposit in the Reserve Account, or moneys available from a Reserve Account Insurance Policy shall be transferred to the Bond Account on any date on which a payment of principal of, premium, if any, or interest on the Bonds is due to the extent the amount on deposit in the Bond Account is insufficient to make such payment.

B. Funding and Maintenance of Reserve Account Requirement. The Reserve Account Requirement shall be funded and maintained by any one of or any combination of (i) cash; (ii) Investment Securities; and (iii) a Reserve Account Insurance Policy which provides for payments when and as required for purposes of the applicable reserve account and is issued by an obligor whose obligations such as the Reserve Account Insurance Policy are either (A) rated by a rating agency as investment grade or (B) if a rating has been obtained on the Bonds whose obligations are rated by each rating agency that then maintains a rating on the Bonds in a category (or comparable classification) equal to or higher than the category, if any, in which the Bonds are rated. To the extent that the Reserve Account Requirement is funded from Investment Securities, such investments shall have an aggregate weighted term to maturity of not greater than five years.

C. Valuation of Deposits. Cash shall satisfy the Reserve Account Requirement by the amount of cash on deposit. Investment Securities shall satisfy the Reserve Account Requirement by the value of such investments. The value of each Permitted Investment on deposit in the Reserve Account shall be (i) its purchase price from the date of purchase until the first date thereafter on which the Reserve Account Requirement is calculated pursuant to paragraph D. of this section and (ii) following each date on which the Reserve Account Requirement is calculated pursuant to paragraph D. of this section until the next date on which the Reserve Account Requirement is so calculated, its fair market value determined as of such calculation date. A Reserve Account Insurance Policy shall satisfy the Reserve Account Requirement by the amount payable to the City pursuant to such policy.

D. Calculation of Reserve Account Requirement and Transfers Resulting from Calculation. The Reserve Account Requirement shall be calculated as of (i) the date of issuance of the Bonds; and (ii) not less than every six months. If at any time the calculated amounts of the Reserve Account are less than the Reserve Account Requirement or transfers are made from the Reserve Account as provided in paragraph (A) hereof, then the City shall deposit to the Reserve Account from the Net Revenues amounts sufficient to bring the amounts deposited in the Reserve Account to the Reserve Account Requirement. If at any time the calculated amounts of the Reserve Account are more than the Reserve Account Requirement, then the City shall transfer from the Reserve Account to the Bond Account any amounts which are in excess of the Reserve Account Requirement. Such deposits shall be made as soon as possible after such use or calculation, but in accordance with and subject to the limitations of this Article VI.

E. Transfer of Interest Income. The investment of moneys deposited in the Reserve Account shall be subject to the covenants and provisions of Sections 704 and 930 hereof, and shall be distributed as required by Section 730 hereof or as otherwise permitted by the Tax Compliance Certificate.

Section 607. Operations and Maintenance Reserve Account. Fourth, for so long as the Loan Agreement is in place, from any remaining Net Revenues there shall be credited, if necessary, to the "Operations and Maintenance Reserve Fund" required by Exhibit F of the Loan Agreement such amounts as are necessary to maintain an amount therein equal to the three months of Operation and Maintenance Expenses excluding depreciation of the Joint System as set forth in the annual budget for the current Fiscal Year but in no event greater than \$1,250,000. Pursuant to the Loan Agreement, such amounts may be in the form of unobligated fund balances or other unobligated cash or securities (i.e. capital reserves) or may be in a separate segregated fund and shall be maintained a continuing reserve for payment of any lawful purpose relating to the Joint System.

Section 608. Rebate Fund. Fifth, concurrently with any payments required to be made pursuant to any Parity Bond Ordinances with respect to any rebate funds established thereby, there shall be deposited into the special and separate account hereby created and to be known as the "City of Grand Junction, Colorado, Taxable Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds), Series 2009, 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 the Reserve Account (to the extent permitted by Section 606 hereof) and the Bond Account. 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 609. Payment of Additional Securities. Sixth, and subject to the provisions hereinabove in this Article, but subsequent to the payments required by Sections 604 through 608 hereof, any moneys remaining in the Income Fund may be used by the City for the payment of Bond Requirements of subordinate securities, including reasonable reserves for such subordinate securities and for rebate of amounts to the United States Treasury with respect to such subordinate securities.

Section 610. Use of Remaining Revenues. After the payments hereinabove required to be made by Sections 604 through 609 hereof are made, any

remaining Net Revenues in the Income Fund shall be used, first, for any one or any combination of necessary purposes relating to the operation, improvement or debt management of the Joint System and, second, to the extent of any remaining surplus, for any one or any combination of lawful purposes as the Council, with the consent of the Board, may from time to time conclusively determine.

ARTICLE VII

GENERAL ADMINISTRATION

Section 701. Administration of Accounts. The special accounts designated in Articles V and VI hereof shall be administered as provided in this Article (but not any account under Section 1301 hereof).

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

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

Section 704. Accounting for Investments. The Investment Securities so purchased as an investment or reinvestment of moneys in any such account hereunder

shall be deemed at all times to be a part of the account. Any interest or other gain from any investments and reinvestments of moneys accounted for in the Income Fund, the Acquisition Fund, the Bond Account 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 Acquisition Fund, the Bond Account, the Reserve Account 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 Account (a) shall be credited to the Rebate Fund or the Bond Account, at the discretion of the Finance Director, if the amount credited to the Reserve Account immediately after such credit to the Rebate Fund or the Bond Account is not less than the Reserve Account Requirement and (b) if the amount credited to the Reserve Account is less than the Reserve Account Requirement, shall be credited to the Reserve Account (up to the amount of the deficiency). No loss or profit in any account on any investments or reinvestments in Investment Securities shall be deemed to take place as a result of market fluctuations of the Investment Securities prior to the sale or maturity thereof. In the computation of the amount in any account for any purpose hereunder, except as herein otherwise expressly provided or for rebate purposes, as described in the Tax Compliance Certificate, Investment Securities shall be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation); provided that any time or demand deposits shall be valued at the amounts deposited, in each case exclusive of any accrued interest or any other gain to the City until such gain is realized by the presentation of matured coupons for payment or otherwise.

Section 705. Redemption or Sale of Investment Securities. The Finance Director shall present for redemption or sale on the prevailing market at the best price obtainable any Investment Securities so purchased as an investment or reinvestment of moneys in the account whenever it shall be necessary in order to provide moneys to meet any withdrawal, payment or transfer from such account. Neither the Finance Director or any other officer or employee of the 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 Investment Securities, or both such money and such Investment Securities. Moneys deposited in a demand or time deposit account in a bank or savings and loan association, appropriately secured according to the laws of the State, shall be deemed lawful money of the United States.

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

ARTICLE VIII

SECURITIES LIENS AND ADDITIONAL SECURITIES

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

Section 802. Equality of Bonds. The Bonds and any Parity Lien Bonds heretofore issued or hereafter authorized to be issued and from time to time Outstanding are equitably and ratably secured by a lien on the Net 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 and any other such Parity Lien Bonds, it being the intention of the Council and the Board that there shall be no priority among the Bonds and any such Parity Lien Bonds regardless of the fact that they may be actually issued and delivered at different times, except that (a) moneys in the Acquisition Fund, the Bond Account and the Reserve Account shall secure only the Bonds and the moneys in any acquisition, bond, reserve or similar funds established for other Parity Lien Bonds shall secure only such Parity Lien Bonds, (b) the BAB Credit payable with respect to the Bonds shall secure only the Bonds, and (c) other Parity Lien Bonds may have a lien on Net Revenues on a parity with the lien thereon of the Bonds even if no Reserve Account is established for such Parity Lien Bonds or a Reserve Account is established but with a different requirement as to the amount of moneys (or the value of a Reserve Account insurance policy with respect to such Parity Lien Bonds) required to be on deposit therein or the manner in which such Reserve Account is funded or the period of time over which such Reserve Account is funded.

Section 803. Issuance of Parity Lien Bonds. Nothing herein prevents the issuance by the Council, with the consent of the Board, of additional securities 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 Lien Bonds, except as provided in Section 808 hereof, are authorized or actually issued, all of the following conditions must be satisfied:

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

B. Historic Earnings Test. The Net Revenues for any 12 consecutive months out of the 18 months preceding the month in which such securities are to be issued are at least equal to the sum of (1) 125% of the Combined Maximum Annual Principal and Interest Requirements of (a) the Outstanding Bonds and any Outstanding Parity Lien Bonds, (b) such proposed Parity Lien Bonds to be issued and (c) 100% of

the Policy Costs then due and owing, if any, except as hereinafter otherwise expressly provided and (2) 100% of maximum annual debt service of all other indebtedness payable from the Net Revenues.

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

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

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

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

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.

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

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

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

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

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

ARTICLE IX

PROTECTIVE COVENANTS

Section 901. General. The City hereby covenants and agree with the Owners of the Bonds and makes provisions which shall be a part of their 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, and the County to the extent required by the Policy Agreement, acting by and through the Board, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Gross Revenues and the Joint System required by the Constitution and laws of the State, 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 Joint 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 Project, or the Joint 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 Gross 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. 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 Gross 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 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.

Section 906. Efficient Operation and Maintenance. The City shall at all times operate the Joint 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 Joint 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 Joint 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 Joint System. The City shall observe and perform all of the terms and conditions contained in this ordinance and shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Joint 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 Joint 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 Joint 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 Joint System, or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this ordinance for the payment of the Bond Requirements of the Bonds and except as herein otherwise permitted. The 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 Joint 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 Bond Requirements of the Bonds and any other securities payable from the Net Revenues or any Policy Costs relating thereto according to the terms thereof, or prejudice the receipt of the BAB Credit with respect to the Bonds. 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 Policy Costs relating thereto might be prejudicially and materially impaired or diminished.

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

Section 911. Use of Bond and Reserve Accounts. The Bond Account and the Reserve Account shall be used solely and only and the moneys credited to such accounts are hereby pledged for the purpose of paying the Bond Requirements of the Bonds to their respective maturities or any Redemption Date or Dates, subject to the provisions of Sections 606, 704 and 1301 hereof.

Section 912. Other Liens. Other than as provided herein, there are no liens or encumbrances of any nature whatsoever on or against the Joint 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 Joint 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 Joint System Prohibited. Except for the use of the Joint System and services pertaining thereto in the normal course of business, neither all nor a substantial part of the Joint System shall be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of, until all the Bonds have been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the Bonds have otherwise been redeemed, including, without limitation, the termination of the pledge as herein authorized; and neither the City nor the County shall not dispose of its respective title to the Joint System or to any useful part thereof, including any property necessary to the operation and use of the Joint System and the lands and interests in lands comprising the sites of the Joint System, except as provided in Section 915 hereof.

Section 915. Disposal of Unnecessary Property. The City or the County at any time and from time to time may sell, exchange, lease or otherwise dispose of any property constituting a part of the Joint System and not useful in the construction, reconstruction or operation thereof, or which shall cease to be necessary for the efficient operation of the Joint 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 Joint System, or any combination thereof, as the Council and the Board 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 Joint System is taken by the exercise of the power of eminent domain, the amount of any award received by the City or the County as a result of such taking shall be paid into the Income Fund or into a capital improvement account pertaining to the Joint System for the purposes thereof, or, applied to the redemption of the Outstanding Bonds and any Outstanding Parity Lien Bonds relating thereto, all as the Council and the Board may determine.

Section 918. Employment of Management Engineers. If the City defaults in paying the Bond Requirements of the Bonds and any other securities or Policy Costs relating thereto payable from the Gross Revenues promptly as the same fall due, or if the City or the County defaults in the keeping of any of its 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 Bond Requirements of the Outstanding Bonds and any other securities (including all reserves therefor specified in the authorizing proceedings, including, without limitation, this ordinance) or Policy Costs relating thereto payable from the Net 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 Joint 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 the Board, and officials of the City and the County, shall annually and at such other times as may be provided by law prepare and adopt a budget pertaining to the Joint 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 Joint System to the City, to its inhabitants and to all other users within and without the boundaries of the County shall be reasonable and just, taking into account and consideration public interests and needs, the cost and value of the Joint System, the Operation and Maintenance Expenses thereof, and the amounts necessary to meet the Bond Requirements of all Bonds and any other securities payable from the Net Revenues, including, without limitation, reserves and any replacement accounts therefor.

Section 921. Adequacy and Applicability of Charges. There shall be charged against users of service pertaining to and users of the Joint System, including the City and the County, 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 Joint 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. Principal and Interest. An amount equal to 125% of both the principal and interest on the Bonds and any Parity Lien Bonds then Outstanding payable from the Net Revenues in that Fiscal Year (excluding the reserves therefor), and

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

Section 922. Limitations Upon Free Service. The City shall furnish no free service from the Joint System, and if the City or the County shall use the facilities of the Joint System for its own purposes, it shall pay monthly a fair and reasonable amount for such service; provided that nothing herein shall require the City or the County to charge tap fees to public buildings owned by the City or the County or located on lands owned by the City or the County or for irrigation of land owned by the City or the County. In no event shall the City or the County pay a greater amount than would be charged a private consumer for the same amount of service. The City shall include in its annual appropriation and budget amounts sufficient to pay for all service so used.

Section 923. Levy of Charges. The Council and the Board 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 hereof, if such action is necessary therefor. No reduction in any initial or existing rate schedule for the Joint System may be made:

A. Proper Application. Unless the City and the County have 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 Joint 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 Joint 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 Joint 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, sanitary sewer services and all other services or facilities furnished or served by or through the Joint 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 Lien Bonds 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, within 60 days following the close of each Fiscal Year, shall order an audit for the Fiscal Year of such books and accounts to be made forthwith by an Independent Accountant, and order an audit report showing the receipts and disbursements for each account pertaining to the Joint System and the Gross Revenues.

Section 928. Accounting Principles. Joint 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 Joint 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, or cause to be maintained, 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 Joint System and against loss of revenues and against public and other liability to the extent reasonably necessary to protect the interests of the City, the County, and of each Owner of a Bond. If any useful part of the Joint 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 Joint 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. Irrevocable Election to Apply Section 54AA of the Code. The City hereby makes an irrevocable election that Section 54AA of the Code shall apply to the Bonds and that subsection (g) of Section 54AA will also apply to the Bonds

so that the City will receive the BAB Credit. None of the Owners of the Bonds shall be entitled to any credit under Section 54AA of the Code. The City covenants 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 the Project if such action or omission would cause the City to not be entitled to the BAB Credit with respect to the Bonds. 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 have been met. The City shall timely file any document required by the Internal Revenue Service to be filed in order to claim the BAB Credit.

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; however, the Owners of the Bonds may enforce specific performance of the obligations contained in this Section by any judicial proceeding available.

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 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 Bond Requirements due in connection with his or her Bond or the obligation of the City to pay the Bond Requirements of each Bond to the Owner thereof at the time and the place expressed in the Bond.

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

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

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

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

D. Failure to Reconstruct. The City unreasonably delays or fails to carry out with reasonable dispatch the reconstruction of any part of the Joint 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 Joint System;

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

F. Default of Any 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 60 days after written notice specifying such default and requiring the same to be remedied is given to the City and the Insurer specifying the failure and requiring that it be remedied, which notice 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 Lien Bonds.

Section 1005. Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of such Owners hereunder, the consent to any such appointment being hereby expressly granted by the City, may enter and may take possession of the Joint 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 Bond Requirements promptly as the same become due. While any Event of Default exists, except to the extent it may be unlawful to do so, all Gross Revenues shall be paid into the Bond Account and into bond or similar funds established for other Parity Lien Bonds then Outstanding, pro rata based upon the aggregate principal amount of the Bonds and Parity Lien 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 Joint 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. Privilege of Amendments.

A. Except as hereafter provided, this ordinance may be amended or supplemented by ordinances adopted by the Council, and approved by the Board, in accordance with law, without receipt by the City of any additional consideration, but with the written consent of the Insurer, and, subject to Section 1201 hereof, the Owners of not less than 66% in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such amendatory or supplemental ordinance excluding, pursuant to Section 102(B) hereof, any Bonds which may then be held or owned for the account of the City or the County. Notwithstanding the foregoing, no such ordinance shall permit:

(1) a change in the maturity, terms of redemption or interest payment of any Outstanding Bond; or

(2) 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) 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) 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) the establishment of priorities as between Bonds issued and Outstanding; or

(6) 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, the County, and of the Owners of the Bonds may also be modified or amended at any time, with the written consent of the Insurer but 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 or the County in this ordinance contained other covenants and agreements thereafter to be observed;

(2) to subject to the covenants and agreements of the City and the County in this ordinance additional Joint System revenues, to be defined and treated as Gross Revenues, for the purpose of providing additional security for the Bonds and any Parity Lien Bonds;

(3) in connection with the provision of a Reserve Account Insurance Policy subsequent to the issuance of the Bonds;

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

(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 adversely affect the interests of the Owners of the Bonds; or

(6) to maintain the status of the Bonds as qualified Build America Bonds under Section 54AA of the Code.

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

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

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

Section 1106. Unanimous Consent. Notwithstanding anything in the foregoing provisions of this Article, the terms and provisions of this ordinance or of any ordinance amendatory thereof or supplemental thereto and the rights and the obligations of the City and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption by the Council, with the approval of the Board, and upon the filing with the City 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 and County Bonds. At the time of any consent or of other action taken under this Article, the City shall furnish to the City Clerk a certificate of the Finance Director, 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 Council as to such action; and after the approval of such notation, then upon demand of the Owner of any Bond Outstanding and upon presentation of his or her Bond for that purpose at the principal office of the Paying Agent, suitable notation shall be made on such Bond by the Paying Agent as to any such action. If the Council so determines, new Bonds, so modified as in the opinion of the Council to 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 1303 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 10 days prior to the effective date thereof.

ARTICLE XII

INSURANCE POLICY PROVISIONS

Section 1201. Insurer To Be Deemed Owner, Rights of the Insurer, Payments by the Insurer: Notices.

A. Notwithstanding any provision of this ordinance to the contrary, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, the Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding Bonds for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies pursuant to this ordinance, including but not limited to approval of or consent to any amendment of or supplement to this ordinance which requires the consent or approval of the Owners of not less than 66% in aggregate principal amount of the Bonds then Outstanding pursuant to this ordinance; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Bonds with respect to any amendment or supplement to this Indenture which seeks to amend or supplement this Indenture for the purposes set forth in clauses A (1) through A (6) of Section 1101 hereof, and provided, further, that the Insurer shall not have the right to direct or consent to City, Paying Agent or Owner action as provided herein, if:

- (1) the Insurer shall be in payment default under the Insurance Policy;
- (2) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested by the Insurer; or
- (3) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under Article 16 of the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

B. To the extent that the Insurer makes payment of any principal of or interest on a Bond, it shall be fully subrogated to all of the Owner's rights thereunder in accordance with the terms of the Insurance Policy to the extent of such payment, including the Owner's rights to payment thereof.

C. In the event that the principal of or interest on a Bond shall be paid by the Insurer pursuant to the terms of the Insurance Policy: (1) such Bond shall continue to be "Outstanding" under this ordinance, and (2) the Insurer shall be fully subrogated to all of the rights of the Owner thereof in accordance with the terms and conditions of paragraph B of this Section and the Insurance Policy.

D. This ordinance shall not be discharged unless and until all amounts due to the Insurer have been paid in full or duly provided for.

E. The rights granted under this ordinance to the Insurer to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the Owners, nor does such action evidence any position of the Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the Insurer.

F. No modification, amendment or supplement to this ordinance shall become effective except upon obtaining the prior written consent of the Insurer.

G. No contract shall be entered into nor any action taken by the City or the Paying Agent pursuant to which the rights of the Insurer or security for or sources of payment of the Bonds under this ordinance may be impaired or prejudiced except upon obtaining the prior written consent of the Insurer.

ARTICLE XIII

MISCELLANEOUS

Section 1301. 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 or the County 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 405 hereof notice of redemption of such Bond on said Redemption Date, such notice to be given in accordance with the provisions of Section 405 hereof, (b) there shall have been deposited with the Paying Agent or other Trust Bank either moneys in an amount which shall be sufficient, or Federal Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Paying Agent or other Trust Bank at the same time, shall be sufficient to pay when due the Bond Requirements due and to become due on said Bond on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bond is not by its terms subject to redemption within the next sixty days, the 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 Bond Requirements of said Bond. Neither such securities nor moneys deposited with the Paying Agent or other Trust Bank pursuant to this Section or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Bond Requirements of said Bond; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Paying Agent or other Trust Bank, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities of the type described in (b) of this paragraph maturing at times and in amounts sufficient to pay when due the Bond Requirements to become due on said Bond on or prior to such Redemption Date or maturity date thereof, as the case may be. At such time as payment of a Bond has been provided for as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this ordinance, except for the purpose of any payment from such moneys or securities deposited with the Paying Agent or other Trust Bank.

In the case of the Bonds, the City is obligated to contribute additional securities or monies to the escrow or trust if necessary to provide sufficient amounts to satisfy the payment obligations on the Bonds.

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. If a forward supply contract is employed in connection with the refunding, (1) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (2) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the authorizing ordinance, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing ordinance, if applicable, shall be controlling.

The release of the obligations of the 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 1302. 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. Final Certificates. the execution of such certificates as may be reasonably required by the Purchaser, including the Continuing Disclosure Certificate;

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

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

D. Bond Purchase Agreement. the execution and delivery of the Purchase Contract between the City and the Purchaser.

Section 1303. 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 City 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 1304. Parties Interested Herein. Nothing in this ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the City, the County, the Paying Agent, the Insurer and the Owners of the Bonds, any right, remedy or claim under or by reason of this ordinance or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Paying Agent, the Insurer and the Owners of the Bonds.

Section 1305. 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 Grand Junction, Colorado
250 N. 5th Street,
Grand Junction, CO 81501
Attention: Finance Director

If to the Paying Agent at:

Zions First National Bank
Corporate Trust Department
1001 - 17th Street, Suite 1050
Denver, CO 80202

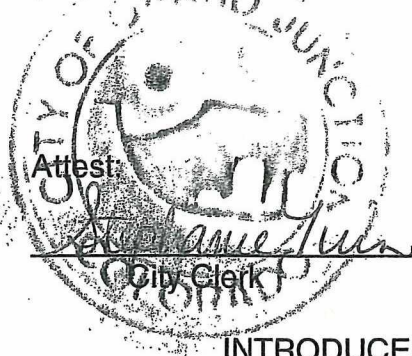
Any of the foregoing Persons may, by notice given hereunder to each of the other Persons, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 1306. 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.

INTRODUCED, PASSED ON FIRST READING, APPROVED AND ORDERED PUBLISHED IN PAMPHLET FORM THIS 19TH DAY OF OCTOBER, 2009.

CITY OF GRAND JUNCTION, COLORADO

[SEAL]



Attest:

Stephanee Yuen
City Clerk

President of the Council

INTRODUCED, PASSED ON SECOND READING, APPROVED AND ORDERED PUBLISHED IN PAMPHLET FORM THIS 2ND DAY OF NOVEMBER, 2009.

CITY OF GRAND JUNCTION, COLORADO

[SEAL]

President of the Council Pro Tem

Attest:

Stephanee Yuen
City Clerk



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
COUNTY OF MESA
CITY OF GRAND JUNCTION, COLORADO
TAXABLE JOINT SEWER SYSTEM REVENUE BOND
(DIRECT PAY BUILD AMERICA BOND)
SERIES 2009

No. R- _____ \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED AS OF</u>	<u>CUSIP NO.</u>
_____ %	December 1, 20__	December __, 2009	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____
DOLLARS

The City of Grand Junction (the "City"), in the County of Mesa 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, commencing on _____ 1, 2009, until the principal amount is paid or payment has been provided for, as described in an ordinance adopted by the Council of the City on November 2, 2009 (the "Ordinance"). This is one of an authorized series of bonds issued under the Ordinance (the "Bonds"). The Bonds are all issued under and equally and ratably secured by and entitled to the security of the Ordinance. To the extent not defined herein, terms used in this Bond shall have the same meanings as set forth in the Ordinance. This Bond bears interest, matures, is payable, is subject to redemption and is transferable as provided in the Ordinance.

Reference is made to the Ordinance and to all ordinances supplemental thereto, with respect to the nature and extent of the security for the Bonds, the accounts, funds or revenues pledged, rights, duties and obligations of the 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 AND THE BAB CREDIT. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE CITY, THE COUNTY, THE STATE OR ANY OF THE POLITICAL SUBDIVISIONS THEREOF IS LIABLE THEREFOR. NONE OF THE MEMBERS OF THE COUNCIL OF THE CITY OR 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, the laws of the State of Colorado, and with the Ordinance and any ordinances supplemental thereto; and that this Bond does not contravene any Constitutional or statutory limitation.

The bonds of the series of which this bond is one are issued under the authority of Section 93(f) of the City Charter and Title 37, Article 45.1, of the Colorado Revised Statutes, as amended. Pursuant to Section 11-57-210 of the Colorado Revised Statutes, as amended, this recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds and the Bonds shall be 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 Council of the City of Grand Junction, Colorado has caused this Bond to be signed by the manual or facsimile signature of the President of the City Council; sealed with a manual or facsimile impression of the seal of the City; and attested by the manual or facsimile signature of the City Clerk; and has further caused this Bond to be approved by the Board of County Commissioners of Mesa County, Colorado, with the manual or facsimile signature of the Chair of the County Board of Commissioners; sealed with a manual or facsimile impression of the seal of the County; and attested by the manual or facsimile signature of the County Clerk, all of the day first above written.

CITY OF GRAND JUNCTION, COLORADO

(S E A L)

(Facsimile Signature)
President of the City Council Pro Tem

ATTESTED:

(Facsimile Signature)
City Clerk

APPROVED BY:

MESA COUNTY, COLORADO

(S E A L)

(Facsimile Signature)
Chair, Board of County Commissioners

ATTESTED:

(Facsimile Signature)
County Clerk

(End of Form of Bond)

(Form of Registrar's Certificate of Authentication)

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Ordinance, and this Bond has been duly registered on the registration records kept by the undersigned as Registrar for such Bonds.

ZIONS FIRST NATIONAL BANK,
as Registrar

Date of Authentication
and Registration:

By: _____
Authorized Officer or Employee

(End of Form of Registrar's Certificate of Authentication)

(Form of Prepayment Panel)

PREPAYMENT PANEL

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

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

(End of Form of Prepayment Panel)

(Form of Assignment)

ASSIGNMENT

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

Dated: _____

Signature Guaranteed:

Address of transferee:

Social Security or other tax
identification number of transferee:

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

EXCHANGE OR TRANSFER FEES MAY BE CHARGED

(End of Form of Assignment)