

RESOLUTION 05-2020

A RESOLUTION OF COLORADO CITY METROPOLITAN DISTRICT, ACTING BY AND THROUGH ITS COLORADO CITY METROPOLITAN DISTRICT WATER ENTERPRISE AND ITS COLORADO CITY METROPOLITAN DISTRICT WASTEWATER ENTERPRISE, AUTHORIZING THE ISSUANCE AND SALE OF A WATER AND WASTEWATER ENTERPRISE REVENUE REFUNDING AND IMPROVEMENT BOND, PROVIDING FOR THE SOURCES OF PAYMENT OF THE BOND, AND PROVIDING OTHER DETAILS CONCERNING THE BOND AND THE DISTRICT'S WATER AND WASTEWATER SYSTEMS.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF COLORADO CITY METROPOLITAN DISTRICT, PUEBLO COUNTY, COLORADO, ACTING BY AND THROUGH ITS COLORADO CITY METROPOLITAN DISTRICT WATER ENTERPRISE AND ITS COLORADO CITY METROPOLITAN DISTRICT WASTEWATER ENTERPRISE:

ARTICLE I

DEFINITIONS, INTERPRETATION,
RATIFICATION AND EFFECTIVE DATE

Section 101. Meanings and Construction.

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

“Acquisition Fund” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Acquisition Fund” for the Bond.

“Assistant Secretary” means the duly appointed Assistant Secretary of the District or his or her successors and assigns.

“Board” means the Board of Directors of the District.

“Bond Fund” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Bond Fund” for the Bond.

“Bond Registrar” means the Finance Director of the District, who shall perform the function of registrar with respect to the Bond, or his /her successor, as appointed in accordance with Section 210 hereof.

“Bond” means the District’s Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, issued pursuant to this Resolution.

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

“Business Day” means a day of the year, other than a Saturday or Sunday, other than a day on which commercial banks located in the county in which the District is located are required or authorized to remain closed and other than a day on which the New York Stock Exchange is closed.

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

“Chairperson” means the Chairperson of the Board of Directors.

“Closing Date” means the date of delivery of and payment for the Bond but in any event not later than one year from the date of this Resolution.

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

“Combined Maximum Annual Principal and Interest Requirements” means the largest sum of the principal of and interest on the Bond and any other Outstanding Parity Bonds, excluding any securities the principal of which is payable within less than one year from the date on which issued, to be paid during any one Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later (but excluding any reserve requirement to secure such payments unless otherwise expressly provided). The word “principal,” as used in the preceding sentence, means for all purposes of this paragraph, the principal which must be paid to security owners, whether on stated maturity dates or on mandatory Redemption Dates, or otherwise. Any such computation shall be adjusted for all purposes in the same manner as is provided in Section 803 hereof.

“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.

“Costs of Issuance” means all costs and expenses of issuing the Bond, including, without limitation, fees of Bond Counsel, counsel to the Purchaser, and counsel to the District, accounting fees, and financial advisory fees and expenses to the extent not defrayed as an Operation and Maintenance Expense.

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

- (i) All preliminary expenses or other costs advanced by the District or advanced by the Federal Government, the State or by any other Person from any source, with the approval of the Board, or any combination thereof, or otherwise;
- (ii) The costs of making surveys and tests, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;
- (iii) The costs of contingencies;
- (iv) The costs of premiums on any builders’ risk insurance and performance bonds during the construction, installation, and other acquisition of the Improvement Project, or a reasonably allocated share thereof;
- (v) The costs of appraising, printing, estimates, advice, inspection and other services of engineers, architects, accountants, financial consultants, attorneys at law, clerical help and other agents and employees;
- (vi) The costs of making, publishing, posting, mailing, and otherwise giving any notice in connection with the Improvement Project;
- (vii) The costs of the filing or recording of instruments and the cost of any title insurance premiums;
- (viii) The costs of funding any construction loans and other temporary loans pertaining to the Improvement Project and of the incidental expenses incurred in connection with such loans;
- (ix) The costs of demolishing, removing, or relocating any buildings, structures, or other facilities on land acquired for the Improvement Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;
- (x) The costs of machinery and equipment;
- (xi) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;
- (xii) The costs of labor, material and obligations incurred to contractors, builders and materialmen in connection with the acquisition and construction of the Improvement Project;
- (xiii) The costs of amending any resolution or other instrument pertaining to the Bond or otherwise to the System; and

(xiv) All other expenses pertaining to the Improvement Project; provided, however, that should the District determine to not issue the Bond to effect the Improvement Project, all references to Costs of the Improvement Project shall be of no force or effect.

“Cost of Issuance Account” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, Cost of Issuance Account” created pursuant to Section 501 hereof.

“C.R.S.” means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

“CWRPDA” means the Colorado Water Resources and Power Development Authority.

“District” means the Colorado City Metropolitan District, Pueblo County, Colorado, a quasi-municipal corporation and political subdivision of the State, acting by and through its Water Enterprise and its Wastewater Enterprise.

“District Manager” means the District Manager of the District, or his or her successor in functions, if any.

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

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

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

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

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

(i) All fees, rates, and other charges for the use of the System, or for any service rendered by the District 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:

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

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

(ii) All income or other gain from any investment of Gross Revenues (including without limitation the income or gain from any investment of all Gross Revenues, but excluding borrowed moneys and all income or other gain thereon in any acquisition or construction fund, reserve fund, or any escrow fund for any Parity Bonds payable from Net Pledged Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Revenues); and

(iii) All income and revenues derived from the operation of any other utility or other income-producing facilities added to the System and to which the pledge and lien herein provided are lawfully extended by the Board or by the qualified electors of the District.

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

“Improvement Project” means the land, facilities and improvements constructed, installed, purchased and otherwise acquired for the System, the cost of which is to be defrayed with a portion of the proceeds of the Bond and which constitutes Capital Improvements; provided, however, that should the District determine to not issue the Bond to effect the Improvement Project, all references to the Improvement Project herein are of no force or effect.

“Income Fund” means the special fund designated as the “Colorado City Metropolitan District, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Gross Income Fund” created 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:

District;

(i) Who is, in fact, independent and not under the domination of the

the District, and

(ii) Who does not have any substantial interest, direct or indirect, with

thereof, but who may be regularly retained to make annual or similar audits of any books or records of the District.

(iii) Who is not connected with the District as an officer or employee

“Independent Engineer” means an individual, firm, or corporation engaged in the engineering profession of recognized good standing and having specific experience with

respect to business and properties of a character similar to those of the System, which individual, firm, or corporation has no substantial interest, direct or indirect, in the District and in the case of an individual, is not a member of the Board, or an officer or employee of the District, and in the case of a firm or corporation, does not have a partner, director, officer, or employee who is a member of the Board or an officer or employee of the District.

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

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

“Operation and Maintenance Expenses” means all actual maintenance and operation costs of the System in any particular period or charges made therefore during such period, but only if such charges are made in conformity with generally accepted accounting principles including amounts reasonably required to be set aside in reserves for items of operation and maintenance expenses the payment of which is not then immediately required.

Such operation and maintenance expenses include, but are not limited to, expenses for ordinary or emergency repairs, renewals and replacements of the System, salaries and wages, employees’ health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents and lease payments, administrative and general expenses, insurance expenses, legal, engineering, accounting, trustee, paying agent and financial advisory fees and expenses and costs of other consulting and technical services, taxes (except as set forth in the following paragraph), payments in lieu of taxes and other governmental charges, payments made to the United States Treasury pursuant to the Code or similar requirement to pay rebate, fuel costs, and any other current expenses or obligations required to be paid by the District by law, all to the extent properly allocated to the System.

Such operation and maintenance expenses do not include depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the District, costs, or charges made therefore, for capital additions, replacements, betterments, extensions or improvements to or retirements from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of the District, and do not include any such operation and maintenance expenses which are paid by the District revenues which do not constitute Net Pledged Revenues.

“Outstanding” when used with reference to the Senior Obligations, the Bond, any Parity Bonds, or any Subordinate Securities and as of any particular date means all the Senior Obligations, the Bond, any Parity Bonds, or any Subordinate Securities payable from the Net Pledged Revenues or otherwise pertaining to the System, as the case may be, excluding any securities the principal of which is payable within less than one year from the date on which issued, in any manner theretofore and thereupon being executed and delivered:

(i) Except any of the Senior Obligations, any portion of the Bond, any Parity Bonds, or any Subordinate Security cancelled by the District, by any paying agent, or otherwise on the District's behalf, on or before such date;

(ii) Except any of the Senior Obligations, any portion of the Bond, any Parity Bonds, or any Subordinate Security deemed to be paid as provided in Section 1301 hereof or any similar provision of the resolution authorizing the issuance of such other security; and

(iii) Except any of the Senior Obligations, any portion of the Bond, any Parity Bond, or any other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered pursuant to Section 306 hereof or any similar provisions of the resolution authorizing the issuance of such other security.

Any securities payable from any Net Pledged Revenues held by the District 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.

"Owner" means, initially, the Purchaser as the registered owner of the Bond, as shown by registration books maintained by the Bond Registrar, or any of its successors or assigns properly registered as set forth herein.

"Parity Bonds" means any securities hereafter issued payable from and having an irrevocable lien upon the Net Pledged Revenues on a parity with the Bond.

"Parity Bond Resolutions" means any resolutions or agreements hereafter entered into by the District with respect to Parity Bonds and, without duplication, any resolutions hereafter adopted by the Board authorizing the issuance of Parity Bonds.

"Payment Date" means the date set forth in the Sale Certificate for the Payment of the Bond.

"Paying Agent" means the Finance Director of the District, who shall perform the function of Paying Agent or his /her successor, as appointed in accordance with Section 210 hereof.

"Permitted Investments" means any investment or deposit the District is permitted to make under then-applicable law.

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

"Project" means, collectively, the Improvement Project and the Refunding Project.

“Purchaser” means Bank of the San Juans, a division of Glacier Bank, Pueblo, Colorado, as purchaser of the Bond.

“Rebate Fund” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, Rebate Fund” created pursuant to Section 609 hereof.

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

“Redemption Date” means, with respect to the Refunded Bonds, the earliest date on which the Refunded Bonds may be called for prior redemption or prepaid; or, with respect to the Bond, the date fixed for redemption prior to maturity; or with respect to other designated securities payable from Net Revenues, the date contained in any notice of prior redemption or otherwise fixed and designated by the District.

“Refunded Bonds” means all of the 2012 Bonds.

“Refunded Bond Requirements” means (i) the payment of the interest due on the Refunded Bonds as the same become due on and before the Redemption Date; (ii) the payment of principal of the Refunded Bonds as the same becomes due upon prior redemption on the Redemption Date; and (iii) the payment of any prior redemption premium.

“Refunding Project” means the payment of the Refunded Bond Requirements and the payment of the costs of issuing the Bond.

“Reserve Fund” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, Reserve Fund” created herein and funded in an amount specified in the Sale Certificate.

“Reserve Fund Requirement” is the amount set forth in the Sale Certificate with respect to the Bond.

“Resolution” means this resolution of the District, which provides for the issuance and delivery of the Bond.

“Sale Certificate” means the sale certificate of the District relating to the Bond issued pursuant to the Supplemental Public Securities Act and described in Section 211 hereof.

“Secretary” means the duly appointed secretary of the District, or his or her successors or assigns.

“Senior Obligations” means the 2003 Loan.

“Special Record Date” means the record date for determining ownership of the Bond for purposes of paying accrued but unpaid interest, as such date may be determined pursuant to this Resolution.

“State” means the State of Colorado.

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

“Supplemental Public Securities Act” means Part 2 of Article 57 of Title 11, C.R.S., as amended.

“System” means, collectively, the water system and the wastewater system consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the District, through purchase, construction and otherwise, and comprising such water and wastewater system of the District or used in connection with the water or wastewater facilities of the District, whether or not located within or without or both within and without the boundaries of the District; and such defined term includes any other utility or other income-producing facilities added to the water and wastewater system and to which the lien and pledge herein provided are extended by resolution adopted by the Board or the qualified electors of the District.

“Tax Compliance Certificate” means the Federal Tax Exemption Certificate executed by the District in connection with the initial issuance and delivery of the Bond.

“2003 Loan” means the loan made to the District by the CWRPDA pursuant to the 2003 Loan Agreement as evidenced by a governmental agency bond executed and delivered by the District to the CWRPDA, which 2003 Loan and 2003 Loan Agreement have a lien on the Net Revenues that is senior to the lien of the Bond.

“2003 Loan Agreement” means the loan agreement between the District and CWRPDA dated as of May 1, 2003.

“2012 Bonds” means the District’s Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Series 2012, currently outstanding in the aggregate principal amount of \$2,555,000.

“Vice Chairperson” means the duly appointed vice chairperson of the District, or his or her assigns.

“Wastewater Enterprise” means the Colorado City Metropolitan District Wastewater Enterprise.

“Water Enterprise” means the Colorado City Metropolitan District Water Enterprise.

Section 102. Recitals.

A. The District is a quasi-municipal corporation and political subdivision of the State of Colorado (the "State") duly organized and existing under the Constitution and laws of the State, in particular Title 32, Article 1, C.R.S. (the "Act").

B. The members of the Board have been duly elected or appointed and qualified.

C. The District currently owns and operates a water system and a wastewater system (together, the "System" as further described above) for the benefit of the residents and customers of the District.

D. By resolutions of the Board previously adopted on November 9, 1994, the Board has determined that its water system and its wastewater system each constitutes an enterprise pursuant to Article X, Section 20 of the Colorado Constitution ("TABOR") and Title 37, Article 45.1, C.R.S. (the "Water Enterprise Act").

E. The District is authorized by Article X, Section 20 of the Colorado Constitution, Section 32-1-1101(1)(d) of the Act, and the Water Enterprise Act and Part 4 of Article 35 of Title 31, C.R.S., to issue revenue bonds authorized by action of the Board without the approval of the electors of the District, such bonds to be issued in the manner provided in Part 4 of Article 35 of Title 31, C.R.S.

F. Pursuant to Article X, Section 20 of the Colorado Constitution and Article 45.1 of Title 37, C.R.S., the Bond may be issued without voter approval since the System constitutes an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution.

G. Section 32-1-1001(1)(j), C.R.S., authorizes the District to establish fees, rates and charges for services, programs, or facilities furnished by the District and to pledge such revenue for payment of obligations of the District.

H. The Board has determined and hereby determines that it is necessary and in the best interest of the District to extend, better, and otherwise improve and equip the System and to issue revenue bonds of the System in order to effect the Improvement Project.

I. The District has heretofore issued the 2012 Bonds payable from and secured by a lien on its Net Pledged Revenues.

J. The District is not delinquent in the payment of any of the principal of or interest on the 2012 Bonds.

K. Section 31-35-412, C.R.S. and Section 32-1-1302, C.R.S., authorize the District to issue water revenue refunding bonds to refund, pay, or discharge all or any part of its outstanding water revenue bonds for the purpose of reducing interest costs, effecting a change in any particular year or years in the principal and interest payable thereon, or effecting other economies.

L. The 2012 Bonds maturing on and after December 1, 2021 are subject to redemption prior to maturity, at the option of the District, on December 1, 2019 or on any date

thereafter, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date without a redemption premium.

M. The Board has determined, and does hereby determine, that the interest of the District and the public interest and necessity require the refunding of the 2012 Bonds and providing for certain improvements of the District by issuing its "Colorado City Metropolitan District (in Pueblo County, Colorado) Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020" in an aggregate principal amount not to exceed \$3,560,000 (the "Bond") for the purpose of effecting the Refunding Project and the Improvement Project and for paying the Costs of Issuance in connection therewith.

N. A proposal for the purchase of the Bond has been submitted to the Board by the Bank of the San Juans, as Purchaser, and the Board has determined and hereby determines to accept the terms of such proposal.

O. The Bond is exempt from registration under the Colorado Municipal Bond Supervision Act pursuant to Section 11-59-110(1)(b), C.R.S. (an issue of bonds not involving a public offering made exclusively to "accredited investors" as defined under Regulation D promulgated by the federal Securities and Exchange Commission), and the Board shall cause the appropriate filing to be made under Section 11-59-110(2), C.R.S. in order to make such exemption applicable.

P. The Purchaser is (a) an "accredited investor," as defined in Rule 501(A)(1), (2), (3), or (7) of Regulation D promulgated under the Securities Act of 1933, as amended or (b) a "qualified institutional buyer," as defined in Rule 144A promulgated under the Securities Act of 1933, as amended.

Q. The District has previously executed and delivered the Senior Obligations, secured by a pledge of the Net Pledged Revenues of the System.

R. Except for the Senior Obligations and the Refunded Bonds, the District has not pledged nor in any way hypothecated revenues derived and to be derived directly or indirectly from the operation of the System to the payment of any securities or for any other purpose (excluding securities which have heretofore been redeemed in full, as to all principal, premium, if any, and interest, or are otherwise not outstanding) and with the result that the Net Pledged Revenues may now be pledged lawfully and irrevocably for the payment of the Bond subordinate to the Senior Obligations, and the Bond may be made payable from the Net Pledged Revenues.

S. Pursuant to Section 11-57-205, C.R.S., as amended, the District desires to delegate to any of the members of the Board and the District Manager the independent power to accept a proposal to purchase the Bond and to determine the rates of interest on the Bond, the redemption provisions of the Bond, the price at which the Bond will be sold, the aggregate principal amount of the Bond to be issued and the amount of principal maturing, or subject to mandatory redemption, in any particular year.

T. The Board has determined and does hereby declare:

i. In order to meet the present and future needs of the District and effect a saving on debt service obligations, it is necessary to issue the Bond in order to exercise the District's option to call for prior redemption and redeem the Refunded Bonds;

ii. The proceeds of the Bond shall be used to undertake the Refunding Project and the Improvement Project and to pay the Costs of Issuance in connection therewith;

iii. Net Pledged Revenues shall be pledged to the payment of the Bond, creating an irrevocable lien on the Net Pledged Revenues subordinate to the lien on the Net Pledged Revenues created by the Senior Obligations; and

iv. All action preliminary to the authorization of the issuance of the Bond has been taken.

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

Section 103. Parties Interested Herein. Nothing herein expressed or implied confers any right, remedy or claim upon any Person, other than the District, the Board, the Owner of the Bond, and the owners of any Parity Bonds or other securities payable from the Net Pledged Revenues when reference is expressly made thereto. All the covenants, stipulations, promises, and agreements herein contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Board, the Owner of the Bond, and the owners of any such other securities in the event of such a reference. **Ratification; Approval of Documents.** All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board and the officers of the District, and otherwise taken by the District directed toward the Project and the sale and delivery of the Bond for such purposes, be, and the same hereby is, ratified, approved, and confirmed.

Section 105. Repealer. All bylaws, orders, 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 such bylaw, order, or resolution, or part thereof, heretofore repealed. All rules of the Board, if any, which might prevent the final passage and adoption of this Resolution at this meeting of the Board will be, and the same hereby are, suspended.

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

Section 107. Resolution Irrepealable. After the Bond is issued, this Resolution shall constitute an irrevocable contract between the District and the Owner of the Bond and this

Resolution shall be and shall remain irrevocable until the Bond, as to all Bond Requirements, shall be fully paid, canceled, and discharged, except as herein otherwise provided.

Section 108. Conclusive Recitals. Pursuant to Section 11-57-210 of the Supplemental Public Securities Act, the Bond shall contain a recital that it is issued pursuant to the Supplemental Public Securities Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bond after its delivery for value. In addition, pursuant to Section 31-35-413, C.R.S., the Bond shall contain a recital that it is issued pursuant to Title 31, Article 35, Part 4, C.R.S. Such recital shall conclusively impart full compliance with all the provisions of such statute, and the Bond issued and containing such recital shall be incontestable for any cause whatsoever after its delivery for value.

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

ARTICLE II

DETERMINATION OF THE DISTRICT'S AUTHORITY TO ISSUE BOND; APPROVAL OF RELATED DOCUMENTS; AND ELECTION TO APPLY SUPPLEMENTAL PUBLIC SECURITIES ACT TO THE BOND

Section 201. Authorization. The Bond is issued in accordance with the Constitution and laws of the State and the provisions of this Resolution, specifically the Supplemental Public Securities Act; Title 32, Article 1, C.R.S.; Title 31, Article 35, Part 4, C.R.S.; Title 37, Article 45.1, C.R.S.; and all other laws of the State thereunto enabling. For the purpose of defraying the cost of the Project, the District hereby authorizes to be issued the Bond in the aggregate principal amount provided in the Sale Certificate as approved by the Chairperson, the Vice Chairperson, or the District Manager, subject to the parameters and restrictions contained in this Resolution.

Section 202. Bonds Equally Secured. The covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal benefit, protection, and security of the Owner of the Bond and the owners of any Parity Bonds hereafter authorized and issued, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such securities over any other thereof, except as otherwise expressly provided in or pursuant to this Resolution; provided that the Bond and any Parity Bonds are subordinate and junior to the Senior Obligations.

Section 203. Special Obligations. All of the Bond Requirements of the Bond shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are so pledged; the Owner of the Bond 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 Bond shall

not constitute an indebtedness or a debt within the meaning of any constitutional, or statutory provision or limitation; and the Bond shall not be considered or held to be a general obligation of the District but shall constitute a special obligation of the District. No statutory or constitutional provision enacted after the issuance of the Bond shall in any manner be construed as limiting or impairing the obligation of the District to comply with the provisions of this Resolution or to pay the Bond Requirements of the Bond as herein provided.

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

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

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

Section 207. Authorization of the Project. The Board, on behalf of the District, does hereby determine to undertake the Project, which is hereby authorized, and the proceeds of the Bond shall be used therefor.

Section 208. Enterprise Status. The Board, on behalf of the District, hereby confirms its determination that the System shall be operated by the Water Enterprise and the Wastewater Enterprise as "enterprises" for the purposes of Article X, Section 20 of the State Constitution and Title 37 Article 45.1, C.R.S. In particular, the Water Enterprise and the Wastewater Enterprise shall be government-owned businesses owned by the Colorado City Metropolitan District and the Water Enterprise and the Wastewater Enterprise shall have the power to issue revenue bonds in the manner and payable from the sources set forth in this Resolution.

Section 209. Sale of the Bond. The Bond shall be sold to the Purchaser. Pursuant to the Supplemental Public Securities Act, the Board hereby delegates to the Chairperson, the Vice Chairperson, or the District Manager the authority to execute the proposal submitted by the Purchaser.

Section 210. District to Act as Registrar and Paying Agent. The Paying Agent and Bond Registrar initially shall be the Finance Director. In the event that the Board determines to replace the Finance Director as Paying Agent and Bond Registrar, the District shall appoint a successor as soon thereafter as may be practicable, and in such event, shall give written notice thereof to the Owner of the Bond by mailing to the addresses shown on the registration books for the Bond. Any successor Paying Agent shall:

- (a) be a trust company or bank in good standing located in or incorporated under the laws of the State of Colorado;
- (b) be duly authorized to exercise trust powers;
- (c) be subject to examination by a federal or state authority; and
- (d) maintain a reported capital and surplus of not less than \$10,000,000.

The Finance Director or any future Paying Agent and Bond Registrar shall remain in place until a successor is appointed and accepts such appointment.

Section 211. Election to Apply Supplemental Public Securities Act to the Bond. Pursuant to Section 11-57-204 of the Supplemental Public Securities Act, a public entity, including the District, may elect in an act of issuance to apply all or any of the provisions of the Supplemental Public Securities Act. The Board hereby elects to apply all of the provisions of the Supplemental Public Securities Act to the Bond. Pursuant to Section 11-57-205 of the Supplemental Public Securities Act, the Board hereby delegates to Chairperson, the Vice Chairperson, or the District Manager the authority to make the following determinations with respect to the Bond, subject to the parameters and restrictions contained in this Resolution, without any requirement that the Board approve such determinations:

(i) **Interest Rate.** The net effective rate of interest to be borne by the Bond shall not exceed 4.0% per annum.

(ii) **Redemption Provisions.** The Bond shall be subject to optional redemption not earlier than February 19, 2030, at a redemption price not to exceed 100%.

(iii) **Purchase Price.** The price of the Bond shall not be less than 100% of the aggregate principal amount of the Bond.

(iv) **Principal Amount.** The aggregate principal amount of the Bond shall not exceed \$3,560,000.

(v) **Maturity Schedule.** The maximum annual repayment cost of the Bond in any particular year shall not exceed \$261,404.26 and the total repayment cost shall not exceed \$4,982,467.48.

(vi) **Term of the Bond.** The Bond shall not mature later than December 1, 2040.

Such determinations shall be evidenced by the Sale Certificate signed by the Chairperson, the Vice Chairperson, or the District Manager and dated on or before the Closing Date, which shall not be more than one year from the date of adoption of this Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS

Section 301. Bond Details.

A. The Bond shall be issued in fully registered form (i.e., registered as to payment of both principal and interest) initially registered in the name of the Bank of the San Juans, a division of Glacier Bank, as Purchaser of the Bond. The Bond shall be dated as of its date of delivery. The Bond shall be numbered in the manner determined by the Bond Registrar.

B. The Bond shall mature on the date specified in the Sale Certificate, and bear interest at the rate set forth in the Sale Certificate (computed on the basis of a 360-day year of twelve 30-day months) payable to the Owner of the Bond on each Payment Date. The Bond shall be subject to mandatory sinking fund redemption as set forth in the form of the Bond attached hereto as Exhibit A.

C. Payment of interest on the Bond shall be made to the Owner of the Bond by check, draft or wire, sent by the Paying Agent, on or before each Payment Date (or, if such Payment Date is not a business day, on or before the next succeeding business day), to the Owner of the Bond at his or her address as it last appears on the registration books kept by the Bond Registrar on the Record Date. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof 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 Bond Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered Owner not less than ten days prior to the Special Record Date by first-class mail or via electronic means on a date selected by the Bond Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. This section shall not limit the remedies of the Owner set forth in Article X with respect to defaulted interest.

D. The Paying Agent may make payments of interest on the Bond by such alternative means as may be mutually agreed to between the Owner of the Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America, without deduction for services of the Bond Registrar or Paying Agent.

Section 302. Prior Redemption. The Bond will be subject to redemption at the option of the District from any legally available funds subject to the terms set forth in the Sale Certificate.

Section 303. Execution of Bond. The Bond shall be executed in the name of the District by the manual signature of the Chairperson or, in the absence of the Chairperson, the Vice

Chairperson, shall be sealed with the corporate seal of the District, and shall be attested by the manual signature of the Secretary or Assistant Secretary. The Bond may be signed, sealed, or attested on behalf of the District 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.

Section 304. Authentication Certificate. The authentication certificate upon the Bond shall be substantially in the form and tenor provided in the form of the Bond attached to this Resolution as **Exhibit A**. The Bond shall not be secured hereby or entitled to the benefit hereof, nor shall the 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 the Bond shall be conclusive evidence that the Bond has been authenticated and delivered hereunder. The certificate of authentication shall be deemed to have been duly executed by the Paying Agent if manually signed by the Paying Agent or an authorized officer or employee of the Paying Agent.

Section 305. Registration and Payment. The Paying Agent shall keep or cause to be kept sufficient records for the registration and transfer of the Bond, which shall at all times be open to inspection by the District. 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, the Bond as herein provided. Except as provided in Section 306 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 the Bond shall be made only to the Owner thereof or his or her legal representative, but such registration may be changed upon transfer of the 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 the Bond to the extent of the sum or sums so paid. The foregoing provisions of this Section are subject to the provisions of Section 306 hereof.

Section 306. Transfer and Exchange. Books for the registration and transfer of the Bond shall be kept by the Bond Registrar. Upon the surrender for transfer of the Bond at the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or its attorney duly authorized in writing, the Bond Registrar shall authenticate and deliver in the name of the transferee a new bond, of a like aggregate principal amount and of the same maturity, bearing a number not previously assigned. The Bond may be exchanged at the principal office for the equal aggregate principal amount of the Bond then outstanding. The Bond Registrar shall authenticate and deliver the Bond which the Owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. The Bond Registrar may impose reasonable charges and require indemnification in connection with exchanges or transfers of the Bond, which charges (as well as any tax or other governmental charge required to be paid with respect to such transfer) shall be paid by the Owner of the Bond requesting such exchange or transfer.

The Bond Registrar shall not be required (1) to transfer or exchange the Bond subject to prior redemption during the period beginning at the opening of business 15 days next

preceding the mailing of notice calling the Bond for prior redemption as herein provided or (2) to transfer or exchange the Bond after the mailing of notice calling the Bond for prior redemption.

The person in whose name the Bond shall be registered, on the registration books kept by the Bond Registrar, shall be deemed and regarded as the absolute registered Owner thereof for the purpose of making payment thereof and for all other purposes except as may otherwise be provided with respect to payment of interest to the registered Owner of the Bond as is provided in Section 1303 hereof; and payment of or on account of either principal or interest on the Bond shall be made only to or upon the written order of the registered Owner thereof or its legal representative, but such registration may be changed upon transfer of the 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 the Bond to the extent of the sum or sums so paid.

If the Bond shall be lost, stolen, destroyed, or mutilated, the Bond Registrar shall, upon receipt of such evidence, information, or indemnity relating thereto as it may reasonably require, authenticate, and deliver a replacement Bond of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. If such lost, stolen, destroyed, or mutilated Bond shall have matured or is about to become due and payable, the Bond Registrar may direct the Paying Agent to pay the Bond in lieu of replacement.

The officers of the District are authorized to deliver to the Bond Registrar fully executed but unauthenticated bonds in such quantities as may be convenient to be held in custody by the Bond Registrar pending use as herein provided.

Whenever a Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Bond Registrar for transfer, exchange, or replacement as provided herein, a Bond shall be promptly cancelled by the Paying Agent or Bond Registrar, and counterparts of a certificate of such cancellation shall be furnished by the Paying Agent or Bond Registrar to the District.

The Purchaser may assign the Bond without the approval of the District, provided that notice of such assignment is given to the District.

Section 307. Bond Form. Subject to the provisions of this Resolution, the 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 Resolution, be consistent with this Resolution 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. Partial Redemption. A portion of the Bond (\$5,000 or any integral multiple thereof) may be redeemed under the terms set forth in the Sale Certificate, in which case the Paying Agent shall, without charge to the Owner of the Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof.

Section 402. Notice of Prior Redemption. Notice of optional or mandatory redemption shall be given by the Paying Agent in the name of the District by sending a copy of such notice by first-class, postage prepaid mail or via electronic means not more than sixty nor less than thirty days prior to the Redemption Date to the 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 the Bond. Such notice shall state that on such Redemption Date there will become and be due and payable upon the Bond, at the principal office of the Paying Agent, the principal amount thereof, accrued interest to the Redemption Date, and the stipulated premium, if any, and that from and after such date interest will cease to accrue. Notice having been given in the manner hereinabove provided, the Bond shall become due and payable on the Redemption Date so designated; and upon presentation thereof at the principal office of the Paying Agent, the Paying Agent will pay the Bond. 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 Bond, and that if such funds are not available, such redemption shall be canceled by written notice to the Owner of the Bond 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 Bond are on deposit with the Paying Agent in the applicable fund or account.

Section 403. Bonds Owned by the District. Bonds owned by or on behalf of the District shall not be subject to redemption. At any time the District may surrender any bonds owned by or on behalf of the District to the Paying Agent, which shall promptly cancel such bonds.

ARTICLE V

USE OF BOND PROCEEDS AND OTHER MONEYS

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

A. **Payment of the Refunded Bond Requirements.** Proceeds in an amount sufficient to effect the Refunding Project shall be deposited with UMB Bank, n.a., as paying agent for the Refunded Bonds.

B. **Reserve Fund.** An amount equal to the Reserve Fund Requirement for the Bond as described in the Sale Certificate shall be credited to the special and separate account hereby created and to be known as the "Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, Reserve Fund."

C. Cost of Issuance Account. A portion of the proceeds derived from the sale of the Bond shall be deposited to the special and separate account hereby created and to be known as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, Cost of Issuance Account.”

D. Acquisition Fund. The remaining proceeds derived from the sale of the Bond shall be credited to the special and separate account hereby created and to be known as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, Acquisition Fund” and used to pay the Improvement Project, if part of the Project.

After the completion of the Project, or after adequate provision is made therefore, any unexpended balance of Bond proceeds shall be deposited as provided in Section 503.

Section 502. Payment of Expenses. Moneys deposited in the Acquisition Fund pursuant to Section 501 may be used and paid out by the District to defray the Costs of the Improvement Project. Moneys deposited in the Cost of Issuance Account pursuant to Section 501 hereof may be used and paid out by the District to defray the Costs of Issuance, including, without limitation, amounts to be paid to the Paying Agent, legal fees, accounting fees, and financial advisory fees. The District shall provide to the Owner all documentation necessary to substantiate expenditures of the moneys in the Acquisition Fund.

Section 503. Completion of Improvement Project. When the Improvement 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 Improvement Project referred to in Section 502 hereof, are paid, or for which full provision is made, the District Manager, to the extent permitted by the Tax Compliance Certificate, 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 transferred as follows: (a) to the Rebate Fund so as to enable the District to comply with Section 930 hereof, (b) to the Reserve Fund to such extent as shall not cause the amount in the Reserve Fund to exceed the Reserve Fund Requirement and (c) to the Bond Fund to the extent of any remaining balance of such moneys to be applied against the next principal payment or payments coming due on the Bond. Nothing herein prevents the transfer from the Acquisition Fund or the Cost of Issuance Account to the Bond Fund, at any time prior to the termination of the Acquisition Fund or the Cost of Issuance Account, of any moneys which the District Manager by certificate determines will not be necessary for the Project and will not be designated to be transferred to the Rebate Fund.

Section 504. Lien on Bond Proceeds. Until the proceeds of the Bond are applied as herein provided, such Bond proceeds are subject to a lien thereon and pledge thereof for the benefit of the Owner of the Bond as provided in Section 601 hereof.

Section 505. Purchaser Not Responsible. The validity of the Bond 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 Owner of the Bond are not responsible for the application or disposal by the District or by any of its officers, agents, and

employees of the moneys derived from the sale of the Bond or of any other moneys herein designated.

ARTICLE VI

ADMINISTRATION OF AND ACCOUNTING FOR PLEGDED REVENUES

Section 601. Pledge Securing Bonds. The Net Pledged Revenues and 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 (other than moneys and securities held in the Rebate Fund to the extent such amounts are required to be paid to the Federal Government) are hereby pledged to secure the payment of the Bond Requirements of the Bond, subject only to the right of the District to cause amounts to be withdrawn and paid on account of Operation and Maintenance Expenses of the System and subject to the right of the District to cause amounts to be withdrawn to pay the cost of the Project as provided herein. The pledge of the Net Pledged Revenues to secure the payment of the Bond Requirements of the Bond and the Parity Bonds is subordinate to the pledge of the Net Pledged Revenues for, and lien thereon of, the Senior Obligations heretofore issued. The pledge of the Net Pledged Revenues shall be valid and binding from and after the date of the delivery of the Bond, and the moneys as received by the District 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 District except the Senior Obligations. The lien of the pledge of the Net Pledged Revenues 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 District (except as herein otherwise provided) irrespective of whether such parties have notice thereof.

Section 602. Income Fund Deposits. So long as any of the Senior Obligations, the Bond, and any Parity Bonds shall be Outstanding, as to any Bond Requirements related to the Senior Obligations, the Bond, and any Parity Bonds, the entire Gross Revenue, upon their receipt from time to time by the District, shall be set aside and credited immediately to the special and separate account hereby created and to be known as the "Colorado City Metropolitan District, Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Gross Income Fund."

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

Section 604. Operation and Maintenance Expenses. First, as a first charge on the Income Fund, from time to time there shall continue to be held therein moneys sufficient to pay Operation and Maintenance Expenses, as they become due and payable, and thereupon they shall be promptly paid. Any surplus remaining in the Income Fund at the end of the Fiscal Year

and not needed for Operation and Maintenance Expenses shall be used for other purposes of the Income Fund as herein provided.

Section 605. Bond Fund Payments. Second, from any remaining Net Pledged Revenues, there shall be credited, following payment of amounts required to meet the Bond Requirements of the Senior Obligations, and concurrently with amounts required to meet the Bond Requirements with respect to any Outstanding Parity Bonds, to the special and separate account hereby created and to be known as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue, Bond Fund,” the following amounts:

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

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

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

The moneys credited to the Bond Fund shall be used to pay the Bond Requirements of the Bond as such Bond Requirements become due, except as provided in Sections 607 and 1301 hereof.

Section 606. Reserve Fund Payments. Upon delivery of the Bond, proceeds of the Bond or cash in the amount of the Reserve Fund Requirement shall be deposited in the special and separate account hereby created and to be known as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Series 2020, Reserve Fund” in satisfaction of the Reserve Fund Requirement.

Thereafter, third, except as provided in Section 607 and 608 hereof, and concurrently with any payments required to be made pursuant to any Parity Bond Resolutions with respect to any reserve funds which may be, but are not required to be, established thereby and concurrently with any repayment or similar obligations payable to any surety provider issuing any reserve fund insurance policy with respect to any Parity Bonds, from any moneys remaining in the Income Fund, there shall be credited to the Reserve Fund monthly, commencing on the first day

of the month next succeeding each date on which the moneys accounted for in the Reserve Fund for any reason are less than the Reserve Fund Requirement, such amounts in substantially equal monthly payments on the first day of each month to re-accumulate the Reserve Fund Requirement by not more than 12 such monthly payments. If there are insufficient Net Pledged Revenues to comply with the requirements of the first sentence of this paragraph, available Net Pledged Revenues shall be credited or paid to the Reserve Fund and to reserve funds which may be established by any Parity Bond Resolutions pro rata, based upon the aggregate principal amount of the Bond and any such Parity Bonds then Outstanding; provided, however, that compliance with the provisions of this sentence shall not cure any Event of Default caused by non-compliance with the first sentence of this paragraph. The Reserve Fund Requirement shall be accumulated and, if necessary, re-accumulated from time to time, in the Reserve Fund from Net Pledged Revenues, except to the extent other moneys are credited to the Reserve Fund, and maintained as a continuing reserve to be used, except as hereinafter provided in Sections 607, 608, 704 and 1301 hereof, only to prevent deficiencies in the payment of the Bond Requirements of the Bond from time to time from the failure to deposit into the Bond Fund sufficient moneys to pay such Bond Requirements as the same accrue and become due. No payment need be made into the Reserve Fund at any time so long as the moneys therein equal not less than the Reserve Fund Requirement.

The District may at any time substitute (a) cash or Investment Securities for a reserve fund insurance policy or (b) a reserve fund insurance policy for cash or Investment Securities, so long as the amount on deposit in the Reserve Fund after such substitution is at least equal to the Reserve Fund Requirement. Notwithstanding the foregoing, no reserve fund insurance policy shall be deposited by the District in the Reserve Fund for such substitution unless the District has received an opinion of Bond Counsel to the effect that such substitution and the intended use by the District of the cash or Investment Securities to be released from the Reserve Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bond.

Section 607. Termination of Deposits. No payment need be made into the Bond Fund or the Reserve Fund if the amount in the Bond Fund and the amount in the Reserve Fund total a sum at least sufficient so that the Bond is deemed to have been paid pursuant to Section 1301 hereof, in which case moneys therein (taking into account the known minimum gain from any investment if such moneys in Investment Securities from the time of any such investment or deposit shall be needed for such payment which will not be designated for transfer to the Rebate Fund) shall be used (together with any such gain from such investments) solely to pay the Bond Requirements of the Bond as the same become due; and any moneys in excess thereof in those two accounts and any other moneys derived from the Net Pledged Revenues or otherwise pertaining to the System may be used to make required payments into the Rebate Fund or in any other lawful manner determined by the Board.

Section 608. Defraying Delinquencies. If at any time the District shall for any reason fail to pay into the Bond Fund the full amount above stipulated from the Net Pledged Revenues, then an amount shall be paid into the Bond Fund at such time from the Reserve Fund equal to the difference between that paid from the Net Pledged Revenues and the full amount so stipulated. The District shall use all cash in the Reserve Fund before drawing on any reserve fund insurance policy.

Section 609. Rebate Fund. Fourth, concurrently with any payments required to be made pursuant to any Parity Bond Resolutions 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 “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Series 2020, Rebate Fund” moneys in the amounts and at the times specified in the Tax Compliance Certificate so as to enable the District to comply with Section 930 hereof. Amounts on deposit in the Rebate Fund shall not be subject to the lien and pledge of this Resolution to the extent that such amounts are required to be paid to the United States Treasury. The District 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 District shall transfer moneys in the amount of the insufficiency to the Rebate Fund from the Acquisition Fund or the Cost of Issuance Account and, to the extent permitted by Section 608 hereof, from the Reserve Fund and the Bond Fund. Upon receipt by the District of an opinion of Bond Counsel to the effect that the amount in the Rebate Fund is in excess of the amount required to be contained therein, such excess may be transferred to the Income Fund.

Section 610. Payment of Subordinate Securities. Fifth, and subject to the provisions hereinabove in this Article, but subsequent to the payments required by Sections 604, 605, 606, and 609 hereof, any moneys remaining in the Income Fund may be used by the District for the payment of Bond Requirements of Subordinate Securities, including reasonable reserves for such Subordinate Securities and for rebate of amounts to the United States Treasury with respect to such Subordinate Securities.

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

Section 702. Places and Times of Deposits. Except as hereinafter provided, each of such special accounts shall be maintained by the District 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 Bond at least three days prior to each Payment Date and each maturity or mandatory Redemption Date herein designated in amounts sufficient to pay the Bond Requirements on the Bond.

Section 703. Investment of Moneys. Any moneys in the Acquisition Fund, the Cost of Issuance Account, the Income Fund, the Bond Fund, the Reserve Fund, and the Rebate Fund and not needed for immediate use shall be invested or reinvested by the District Manager 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 District Manager at the time of such investment or reinvestment; provided that (1) Investment Securities credited to the Reserve Fund shall not mature later than ten years from the date of such investment or reinvestment and (2) collateral securities of any Investment Securities may not 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 Acquisition Fund, the Income Fund, the Cost of Issuance Account, the Bond Fund, and the Rebate Fund shall be credited to such account, and any loss resulting from any such investments or reinvestments of moneys accounted for in the Acquisition Fund, the Income Fund, the Cost of Issuance Account, the Bond Fund, the Reserve Fund, and the Rebate Fund shall be charged or debited to such Fund.

Any interest or other gain from any investment or reinvestment of moneys accounted for in the Reserve Fund (a) shall be credited to the Rebate Fund or the Bond Fund, at the discretion of the District Manager, if the amount credited to the Reserve Fund immediately after such credit to the Rebate Fund or the Bond Fund is not less than the Reserve Fund Requirement and (b) if the amount credited to the Reserve Fund is less than the Reserve Fund Requirement, shall be credited to the Reserve Fund (up to the amount of the deficiency).

No loss or profit in any account on any investments or reinvestments in Investment Securities shall be deemed to take place as a result of market fluctuations of the Investment Securities prior to the sale or maturity thereof. In the computation of the amount in any account for any purpose hereunder, except as herein otherwise expressly provided or for rebate purposes, as described in the Tax Compliance Certificate, Investment Securities shall be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation); provided that any time or demand deposits shall be valued at the amounts deposited, in each case

exclusive of any accrued interest or any other gain to the District until such gain is realized by the presentation of matured coupons for payment or otherwise.

Section 705. Redemption or Sale of Investment Securities. The District Manager 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 District Manager nor any other officer or employee of the District shall be liable or responsible for any loss resulting from any such investment or reinvestment made in accordance with this Resolution.

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 the Bond 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 the Bond 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 on Net Pledged Revenues. The Bond constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Net Pledged Revenues subordinate to and junior to the lien of the Senior Obligations and on a parity with the lien on the Net Pledged Revenues of the Parity Bonds.

Section 802. Equality of Bonds. The Bond and any Parity Bonds heretofore issued or hereafter authorized to be issued and from time to time Outstanding are equally and ratably secured by a lien on the Net Pledged Revenues and shall not be entitled to any priority one over the other in the application of the Net Pledged Revenues regardless of the time or times of the issuance of the Bond and any other such Parity Bonds, it being the intention of the Board that there shall be no priority among the Bond and any such Parity Bonds regardless of the fact that they may be actually issued and delivered at different times, except that (a) moneys in the Acquisition Fund, the Cost of Issuance Account, the Bond Fund, and the Reserve Fund shall secure only the Bond and the moneys in any cost of issuance, acquisition, bond, reserve or similar funds established for other Parity Bonds shall secure only such Parity Bonds; and (b) other Parity Bonds may have a lien on Net Pledged Revenues on a parity with the lien thereon of the Bond even if no reserve fund is established for such Parity Bonds or a reserve fund is established but with a different requirement as to the amount of moneys (or the value of a reserve fund insurance policy

with respect to such Parity Bonds) required to be on deposit therein or the manner in which such reserve fund is funded or the period of time over which such reserve fund is funded.

Section 803. Issuance of Parity Bonds. Nothing herein prevents the issuance by the District of additional securities payable from the Net Pledged Revenues and constituting a lien thereon on a parity with, but not prior nor superior to, the lien thereon of the Bond; but before any such additional Parity Bonds, except as provided in Section 808, 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 resolution authorizing the issuance of the additional securities, the District shall not be in default in making any payments required by Article VI hereof or other Parity Bond Resolutions.

B. Historic Earnings Test. The Net Pledged 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 110% of the Combined Maximum Annual Principal and Interest Requirements of all Outstanding Senior Obligations, the Bond, and Parity Bonds of the District during such 12 month period payable from the Net Pledged Revenues and such proposed indebtedness to be issued.

C. Adjustment of Net Pledged Revenues. In any computation under paragraph B of this Section, the amount of the Net Pledged Revenues for the applicable period shall be decreased and may be increased by the amount of loss or gain conservatively estimated by an Independent Accountant, Independent Engineer, or the District Manager, as the case may be, which results from any changes in any schedule of fees, rates, and other charges constituting Net Pledged Revenues based on the number of users during the applicable period as if such modified schedule of fees, rates and other charges shall have been in effect during such entire time period. However, the Net Pledged Revenues need not be decreased by the amount of any such estimated loss to the extent the Independent Accountant, the Independent Engineer, or the District Manager 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 District's apparent ability to comply with the rate maintenance covenant stated in Section 921 hereof without modification because of any restrictive legislation, regulation, or other action under the police power exercised by any governmental body.

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

E. Consideration of Additional Expenses. In determining whether or not additional Parity Bonds may be issued as aforesaid, consideration shall be given to any probable increase (but not reduction) in the Operation and Maintenance Expenses of the System as estimated by the District Manager that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional securities; but the District Manager 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 District Manager also opines that any such increase in revenues or reduction in any increase in Operation and Maintenance Expenses will not materially and adversely affect the District'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. At least thirty (30) days in advance of issuance of any additional securities on a parity with the Bond, the District shall provide a written certificate or written opinion by the District Manager under paragraph B of Section 803 that such annual revenues, when adjusted as hereinabove provided in paragraphs C, D, and E of Section 803 hereof, are sufficient to pay such amounts as provided in paragraph B of Section 803 hereof. Such written certificate or opinion shall be provided with the calculations upon which the District bases its opinion.

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

Section 806. New Senior Securities Prohibited. With the exception of any additional loans from the CWRPDA, nothing herein permits the District to issue additional securities payable from the Net Pledged Revenues and having a lien thereon prior and superior to the lien thereon of the Bond.

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

Section 808. Issuance of Refunding Securities. The District may issue any refunding securities payable from Net Pledged Revenues to refund any of the Senior Obligations, the Bond, Parity Bonds, or any Subordinate Securities hereafter issued, with such details as the Board may by resolution provide so long as there is no impairment of any contractual obligation imposed upon the District 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 Bond is Outstanding, refunding securities payable from Net Pledged Revenues may be issued on a parity with the Bond only if:

A. Prior Consent. The District first receives the consent of the Owner of the Bond; or

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

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

ARTICLE IX

PROTECTIVE COVENANTS

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

Section 902. Performance of Duties. The District, acting by and through the Board or otherwise, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Gross Revenues and the System required by the Constitution and laws of the State and the various resolutions of the District, including, without limitation, the making and collection of reasonable and sufficient fees, rates, and other charges for services rendered or furnished by or the use of the System, as herein provided, and the proper segregation of the proceeds of the Bond 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 District shall perform all material contractual obligations undertaken by it under any agreements relating to the Bond, the Net Pledged Revenues, the Project, or the System, or any combination thereof, with any other Persons, the non-performance of which would materially and negatively impact the Net Pledged Revenues.

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

the pledge of the Net Pledged Revenues and other moneys and accounts pledged hereunder and all the rights of the Owner of the Bond hereunder against all claims and demands of all Persons whomsoever.

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

Section 906. Efficient Operation and Maintenance. The District shall at all times operate the System properly and in a sound and economical manner; and the District shall maintain, preserve, and keep the same properly or cause the same so to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof in good repair, working order and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals so that at all times the operation of the System may be properly and advantageously conducted. All salaries, fees, wages, and other compensation paid by the District in connection with the maintenance, repair, and operation of the System shall be reasonable and proper.

Section 907. Rules, Regulations and Other Details. The District, acting by and through the Board, shall establish and enforce reasonable rules and regulations governing the operation, use, and services of the System. The District shall observe and perform all of the terms and conditions contained in this Resolution, and shall comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the System or to the District, except for any period during which the same are being contested in good faith by proper legal proceedings.

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

Section 909. Protection of Security. The District, the officers, agents, and employees of the District, and the Board 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 Bond, the Parity Bonds, and any other securities payable from the Net Pledged Revenues relating thereto according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Owner of the Bond or other security payable from Net Pledged Revenues relating thereto might be prejudicially and materially impaired or diminished.

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

Section 911. Use of Bond and Reserve Funds. The Bond Fund and the Reserve Fund shall be used solely and only and the moneys credited to such accounts are hereby pledged for the purpose of paying the Bond Requirements of the Bond to its maturity or Redemption Date, subject to the provisions of Sections 606, 607, 608, 704 and 1301 hercof.

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

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

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

Section 915. Disposal of Unnecessary Property. The District at any time and from time to time may sell, exchange, lease, or otherwise dispose of any property constituting a part of the System and not useful in the construction, reconstruction or operation thereof, or which

shall cease to be necessary for the efficient operation of the System, or which shall have been replaced by other property of at least equal value or performing the same purpose. Any proceeds of any such sale, exchange, lease, 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 District in the Income Fund or into a special book account for the betterment, enlargement, extension, other improvement, and equipment of the System, or any combination thereof, as the Board may determine, provided that any proceeds of any such lease received shall be deposited by the District as Net Pledged Revenues in the Income Fund.

Section 916. Competing System. So long as the Bond is Outstanding, the District shall not grant any franchise or license in the System to any competing facilities so that the Net Pledged Revenues shall not be sufficient to satisfy the covenant in Section 921 hereof.

Section 917. Loss From Condemnation. If any part of the System is taken by the exercise of the power of eminent domain, the amount of any award received by the District as a result of such taking shall be paid into the Income Fund or into a capital improvement account pertaining to the System and the District shall, as the District may determine, and as expeditiously as may be possible, commence and diligently proceed with any repair or replacement of the taken property necessary to return the System to a level of functionality comparable to that prior to the taking. Any condemnation proceeds not used for repair and replacement of taken property shall be applied to the redemption of the Bond and any Outstanding Parity Bonds relating thereto.

Section 918. Retention of Management Engineers. If the District defaults in paying the Bond Requirements of the Bond, the Parity Bonds, and any other securities relating thereto payable from the Net Pledged Revenues promptly as the same fall due, or an Event of Default has occurred and is continuing, or if the Net Pledged Revenues in any Fiscal Year fail to equal at least the amount of the Bond Requirements of the Bond, Parity Bonds, and any other securities relating thereto payable from the Net Pledged Revenues (including all reserves therefor specified in the authorizing proceedings, including, without limitation, this Resolution) relating thereto payable from the Net Pledged Revenues in that Fiscal Year, the District shall retain a firm of competent management engineers skilled in the operation of such facilities to assist the management of the System so long as such default continues or so long as the Net Pledged Revenues are less than the amount hereinabove designated in this Section.

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

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

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

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

B. **Principal and Interest.** An amount equal to 110% of both the principal and interest on the Senior Obligations, the Bond, and any Parity Bonds then Outstanding payable from the Net Pledged Revenues in that Fiscal Year (excluding the reserves therefor), and

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

Section 922. Limitations Upon Free Service. No free service or facilities shall be furnished by the System, except as hereinafter provided. If the District elects to use for its own purposes any water facilities, wastewater facilities, or other services and facilities provided by the System or otherwise to use the System or any part thereof, any such use may be paid for from the District's general fund or from other available revenues other than Net Pledged Revenues at the reasonable value of the use so made; provided that the District need not pay for any such use by the District of any facilities of the water system for wastewater services or the wastewater system for water services, and such water and wastewater services may be provided to the golf course and recreation facilities at such reduced cost as determined by the Board. All the income so derived from the District shall be deemed to be income derived from the operation of the System, to be used and to be accounted for in the same manner as any other income derived from the operation of the System.

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

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

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

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

Section 925. Procedure for Collecting Charges. All bills for water services and all other services or facilities furnished or served by or through the System shall be rendered to customers on a regularly established basis. The fees, rates and other charges due shall be collected in a lawful manner, including, without limitation, discontinuance of service.

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

Section 927. Audits Required. The District, within 180 days following the close of each Fiscal Year, shall order an audit for the Fiscal Year of such books and accounts to be made forthwith by an Independent Accountant, and order an audit report showing the receipts and disbursements for each account pertaining to the System and the Gross Revenues. The results of each annual audit shall be provided to the Owner.

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

Section 929. Insurance and Reconstruction. Except to the extent of any self-insurance, the District shall at all times maintain with responsible insurers fire and extended coverage insurance, worker's compensation insurance, public liability insurance and all such other insurance as is customarily maintained with respect to utilities of like character against loss of or damage to the System and against public and other liability to the extent reasonably necessary to protect the interests of the District and the Owner of the Bond. If any useful part of the System shall be damaged or destroyed, the District 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 from damaged or destroyed property shall be payable to the District 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 District as revenues derived from the operation of the System. If the costs of such repair and replacement of the damaged property exceed the proceeds of such insurance available for the payment of the same, moneys in the Income Fund shall be used to the extent necessary for such purposes, as permitted by Article VI hereof.

Section 930. Federal Income Tax Exemption.

A. The District covenants for the benefit of the Owner of the Bond that it will not take any action or omit to take any action with respect to the Bond, the proceeds thereof, any other funds of the District or any facilities financed with the proceeds of the Bond if such action or omission (i) would cause the interest on the Bond to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause interest on the Bond to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code or (iii) would cause interest on the Bond to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present State law. In furtherance of this covenant, the District agrees to comply with the procedures set forth in the Tax Compliance Certificate with respect to the Bond. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bond until the date on which all obligations of the District in fulfilling the above covenant under the Code and Colorado law have been met.

B. The District hereby determines that neither the District nor any entity subordinate thereto reasonably anticipates issuing more than \$10,000,000 face amount of tax-exempt governmental bonds or any other similar obligations during the calendar year in which the Bond is issued, which obligations are taken into account in determining if the District can designate the Bond as a qualified tax-exempt obligation as provided in the following sentence. For the purpose of Section 265(b)(3)(B) of the Code, the District hereby designates the Bond as a qualified tax-exempt obligation.

ARTICLE X

PRIVILEGES, RIGHTS AND REMEDIES

Section 1001. Owner's Remedies. The Owner of the Bond shall be entitled to all of the privileges, rights, and remedies provided or permitted in this Resolution, 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 Net Pledged Revenues and the proceeds of the Bond.

Section 1002. Right to Enforce Payment. Nothing in this Article affects or impairs the right of the Owner of the Bond to enforce the payment of the Bond Requirements due in connection with his or her Bond or the obligation of the District to pay the Bond Requirements at the time and the place expressed in the Bond, or to enforce all provisions related to collection of Gross Revenues including Sections 923 and 924.

Section 1003. Events of Default. Each of the following events is hereby declared an "Event of Default:"

A. **Nonpayment of Principal.** Payment of the principal of the Bond is not made when the same becomes due and payable;

B. Nonpayment of Interest. Payment of any installment of interest on the Bond 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 Resolution;

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

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

F. Default of Any Provision. The District defaults in the due and punctual performance of curing the items described in C, D, or E above or any other of the representations, covenants, conditions, agreements, and other provisions contained in the Bond or in this Resolution 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 District specifying the failure and requiring that it be remedied, which notice may be given by the Paying Agent in its discretion and shall be given by the Paying Agent at the written request of the Owner of the Bond.

Section 1004. Remedies for Defaults. Upon the happening and continuance of any Event of Default, the Owner of the Bond, including, without limitation, a trustee or trustees therefor, may proceed against the District and its agents, officers and employees, in their official capacities, to protect and to enforce the rights of the Owner of the Bond under this Resolution (including any action to compel any act of the District required under this Resolution and any action to enjoin any act forbidden under this Resolution) 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 the Owner 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 the Owner of the Bond, or to require the District 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 benefit of the Owner of the Bond. Notwithstanding anything herein to the contrary, acceleration of the Bond shall not be an available remedy for an Event of Default.

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

Section 1006. Rights and Privileges Cumulative. The failure of the Owner of the Bond to proceed in any manner herein provided shall not relieve the District, 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 the Owner of the Bond (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 the Owner of the Bond 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 District shall do and perform all proper acts on behalf of and for the Owner of the Bond to protect and to preserve the security created for the payment of the Bond 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 Net Pledged Revenues shall be paid into the Bond Fund and into bond or similar funds established for any Parity Bonds then Outstanding, pro rata based upon the aggregate principal amount of the Bond and Parity Bonds then Outstanding, up to the amounts required pursuant to Section 605. If the District fails or refuses to proceed as in this Section provided, the Owner of the Bond, after demand in writing, may proceed to protect and to enforce the rights of the Owner of the Bond as hereinabove provided, and to that end the Owner of the Bond shall be subrogated to all rights of the District under any agreement, lease, or other contract involving the System or the Net Pledged Revenues entered into prior to the effective date of this Resolution or thereafter while the Bond is Outstanding.

ARTICLE XI

AMENDMENT OF RESOLUTION

Section 1101. Permitted Amendments to Bond Resolution. The District may, without the consent of or notice to the Owner of the Bond, adopt amendments or supplements to this Resolution, which amendments or supplements shall thereafter form a part hereof, for any one or more of the following purposes:

A. to cure any ambiguity, to cure, correct, or supplement any formal defect or omission or inconsistent provision contained in this Resolution, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under this Resolution, or to make any provisions for any other purpose, if such provisions are necessary or desirable and do not materially adversely affect the interest of the Owner of the Bond;

B. to subject to this Resolution or pledge to the payment of the Bond additional revenues, properties, or collateral; and

C. to grant or confer upon the Owner any additional rights, remedies, powers, or authority that may be lawfully granted to or conferred upon the Owner.

Section 1102. Amendments Requiring Consent of Owner. Except for amendatory or supplemental resolutions adopted pursuant to the Section hereof entitled "Permitted Amendments to Bond Resolution," the Owner of the Bond shall have the right, from time to time, to consent to and approve the adoption by the District of such resolutions amendatory or supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided however, that without the consent of the Owner of the Bond, nothing herein contained shall permit, or be construed as permitting:

A. a change in the terms of the maturity of the Bond, in the principal amount of the Bond or the rate of interest thereon, or in the terms of prior redemption of the Bond;

B. an impairment of the right of the Owner to institute suit for the enforcement of any payment of the principal of or interest on the Bond when due;

C. a privilege or priority of the Bond or any interest payment over any other bond or interest payment; or

D. a reduction in the percentage in principal amount of the Bond, the consent of whose Owner is required for any such amendatory or supplemental resolution.

If at any time the District shall desire to adopt an amendatory or supplemental resolution for any of the purposes of this Section, the District shall cause notice of the proposed adoption of such amendatory or supplemental resolution to be given by mailing such notice by certified or registered first-class mail or via electronic means to the Owner of the Bond at the address shown on the registration books of the Bond Registrar, at least 30 days prior to the proposed date of adoption of any such amendatory or supplemental resolution. Such notice shall briefly set forth the nature of the proposed amendatory or supplemental resolution and shall state that copies thereof are on file at the offices of the District or some other suitable location for inspection by the Owner.

Section 1103. Effect of Amendment. Upon the execution of any amendatory or supplemental resolution pursuant to this Resolution, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Resolution of the District, the Bond Registrar, the Paying Agent, and the Owner of the Bond shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such modifications and amendments.

ARTICLE XII

RESERVED

ARTICLE XIII

MISCELLANEOUS

Section 1301. Defeasance. When the Bond shall be paid in accordance with its terms (or payment of the Bond has been provided for in the manner set forth in the following paragraph), then this Resolution and all rights granted hereunder shall thereupon cease, terminate, and become void and be discharged and satisfied.

Payment of the Bond shall, prior to maturity or its Redemption Date, be deemed to have been provided for within the meaning and with the effect expressed in this Section if (a) in case the Bond is to be redeemed on any date prior to its maturity, the District 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 402 hereof, notice of redemption of the Bond on said Redemption Date, such notice to be given in accordance with the provisions of Section 402 hereof, (b) there shall have been deposited with the Paying Agent or a Trust Bank either moneys in an amount which shall be sufficient, and/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 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 District 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 402 hereof, a notice to the Owner of the Bond that the deposit required by (b) above has been made with the Paying Agent or 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 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, and the Paying Agent shall not permit the District to withdraw such securities or moneys for any purpose other than payment of the Bond Requirements; in the event that any securities or moneys deposited with the Paying Agent under this Section are withdrawn for any purpose other than payment of the Bond Requirements, all rights of the Owner under this Resolution shall immediately be reinstated; 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 Resolution, except for the purpose of any payment from such moneys or securities deposited with the Paying Agent or other Trust Bank.

The release of the obligations of the District 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, this Resolution may be discharged in accordance with the provisions of this Section but the liability of the District in respect of the Bond shall continue; provided that the Owner of the Bond 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, employees, and agents of the District be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution, including, without limitation, the execution of such certificates as may be reasonably required by the Purchaser.

Section 1303. Evidence of Bond Owners. Any request, consent, or other instrument which this Resolution may require or may permit to be signed and to be executed by the Owner of the Bond may be in one or more instruments of similar tenor and shall be signed or shall be executed by the Owner in person or by his or her legal representative as so appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such legal representative, or the holding by any Person of the Bond shall be sufficient for any purpose of this Resolution (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 the Owner of the Bond or his or her legal representative 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 District Manager or 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 Bond held by any Person and the numbers, date, and other identification thereof, together with the date of his or her holding the Bond, shall be proved by the registration records maintained by the Paying Agent.

Section 1304. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the District, the Paying Agent, and the Owner of the Bond, any right, remedy, or claim under or by reason of this Resolution or any covenant, condition, or stipulation hereof; and all the covenants, stipulations, promises, and agreements in this Resolution contained by and on behalf of the District

shall be for the sole and exclusive benefit of the District, the Paying Agent, and the Owner of the Bond.

Section 1305. Notices. Except as otherwise may be provided in this Resolution, all notices, certificates, requests, or other communications pursuant to this Resolution shall be in writing and shall be sufficiently given and shall be deemed given by personal delivery or when mailed by first class mail or via electronic means, and either delivered or addressed as follows:

If to the District at:

Colorado City Metropolitan District
4497 Bent Brothers Blvd.
P.O. Box 20229
Colorado City, Colorado 81019
Attention: District Manager
Email address: colocitymanager@ghvalley.net

If to the Purchaser at:

Bank of the San Juans, a division of Glacier Bank
101 West Fifth Street
Pueblo, Colorado 81003
Attention: Miles Gorham
Email address: mgorham@banksanjuans.com

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 Resolution, 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 Resolution, and no interest shall accrue for the period after such nominal date.

ADOPTED AND APPROVED this January 28, 2020.

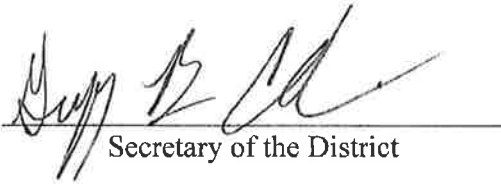
COLORADO CITY METROPOLITAN
DISTRICT, PUEBLO COUNTY,
COLORADO, ACTING BY AND THROUGH
ITS COLORADO CITY METROPOLITAN
DISTRICT WATER ENTERPRISE AND
COLORADO CITY METROPOLITAN
DISTRICT WASTEWATER ENTERPRISE



Chairperson of the Board of Directors

(SEAL)

Attest:



Secretary of the District

ADOPTED AND APPROVED this January 28, 2020.

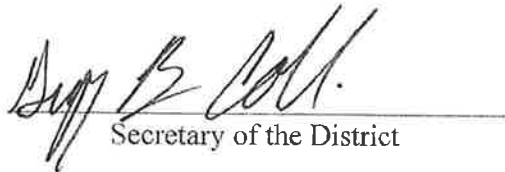
COLORADO CITY METROPOLITAN
DISTRICT, PUEBLO COUNTY,
COLORADO, ACTING BY AND THROUGH
ITS COLORADO CITY METROPOLITAN
DISTRICT WATER ENTERPRISE AND
COLORADO CITY METROPOLITAN
DISTRICT WASTEWATER ENTERPRISE



Chairperson of the Board of Directors

(SEAL)

Attest:



Secretary of the District

EXHIBIT A
(FORM OF BOND)

THIS BOND IS ISSUED EXCLUSIVELY TO AN ACCREDITED INVESTOR. THE REGISTERED OWNER HEREOF OR THE OWNER OF ANY BENEFICIAL INTEREST HEREIN (THE "REGISTERED OWNER"), BY PURCHASING THIS BOND, AGREES FOR THE BENEFIT OF THE DISTRICT THAT THIS BOND MAY NOT BE RESOLD, PLEDGED, HYPOTHECATED, DONATED OR OTHERWISE TRANSFERRED, INCLUDING THE SALE OF A PARTICIPATION INTEREST HEREIN, WHETHER OR NOT FOR CONSIDERATION OTHER THAN TO A PERSON WHOM THE SELLER BELIEVES IS AN "ACCREDITED INVESTOR", AS THAT TERM IS DEFINED UNDER SECTIONS 3(B) AND (4)(2) OF THE FEDERAL "SECURITIES ACT OF 1933" BY REGULATION ADOPTED THEREUNDER BY THE SECURITIES AND EXCHANGE COMMISSION.

UNITED STATES OF AMERICA

STATE OF COLORADO

COUNTY OF PUEBLO

**COLORADO CITY METROPOLITAN DISTRICT
(IN PUEBLO COUNTY, COLORADO)
WATER AND WASTEWATER ENTERPRISE REVENUE
REFUNDING AND IMPROVEMENT BOND
SERIES 2020**

No. R- _____ \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
[]%	February 19, 2040	February 19, 2020	N/A

REGISTERED OWNER: BANK OF THE SAN JUANS, a division of Glacier Bank

PRINCIPAL AMOUNT:

Colorado City Metropolitan District, acting by and through its Colorado City Metropolitan District Water Enterprise and its Colorado City Metropolitan District Wastewater Enterprise (the "District") in the County of Pueblo and State of Colorado, a special district duly organized and operating under the constitution and laws of the State of Colorado, for value received, hereby acknowledges itself indebted and promises to pay, solely from and to the extent of the Net Pledged Revenue (defined in the Bond Resolution), to the registered Owner named above, or registered assigns, on the maturity date specified above or on the date of prior redemption, the principal amount specified above. In like manner the District promises to pay

interest on such principal amount (computed on the basis of a 360-day year of twelve 30-day months) at the interest rate per annum specified above, payable annually on February 19 of each year, commencing on February 19, 2021, until the principal amount is paid at maturity or upon prior redemption. To the extent not paid when due, such interest shall continue to bear interest, at the rate borne by this Bond; provided however, that notwithstanding anything herein to the contrary, the District shall not be obligated to pay more than the amount permitted by law in repayment of this Bond, including all payments of principal and interest, and the Bond will be deemed defeased and no longer outstanding upon the payment by the District of such amount. Defined terms used but not otherwise defined herein shall have the meaning set forth in the Bond Resolution (defined below).

The principal of the Bond is payable in lawful money of the United States of America to the registered Owner hereof upon maturity or prior redemption and presentation at the principal office of the Finance Director of the District, as Paying Agent. Payment of each installment of interest shall be made to the registered Owner hereof whose name shall appear on the registration books of the District maintained by or on behalf of the District by the Finance Director of the District, as Bond Registrar, at the close of business on the fifteenth (15th) day of the calendar month next preceding Payment Date (the "Record Date"), and shall be paid by check or draft of the Paying Agent mailed on or before the Payment Date to such Owner at its address as it appears on such registration books. The Paying Agent may make payments of interest on this Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent as provided in the resolution authorizing the issuance of this Bond (the "Bond Resolution"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner hereof at the close of business on the Record Date and shall be payable to the person who is the Owner hereof at the close of business on a Special Record Date (the "Special Record Date") established for the payment of any defaulted interest. Notice of the Special Record Date and the date fixed for the payment of defaulted interest shall be given by first-class mail to the Owner hereof as shown on the registration books on a date selected by the Bond Registrar.

This Bond is issued pursuant to Title 31, Article 35, Part 4, C.R.S. This Bond totals [] par value, issued by the Board of Directors of the District, for the purpose of paying the costs of the Project, by virtue of and in full conformity with the Constitution of the State of Colorado; Title 32, Article 1, C.R.S.; and all other laws of the State of Colorado thereunto enabling, and pursuant to the duly adopted Bond Resolution.

It is hereby recited, certified, and warranted that all of the requirements of law have been fully complied with by the proper officers in issuing this Bond. It is hereby further recited, certified, and warranted that the total indebtedness of the District, including that of this Bond, does not exceed any limit prescribed by the constitution or laws of the State of Colorado, and that provision has been made for the collection of the Net Pledged Revenues. This Bond is also issued pursuant Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Act"). Pursuant to Section 11-57-210 of the Supplemental Act, this recital shall be conclusive evidence of the validity and the regularity of the issuance of this Bond after its delivery for value.

THE BOND IS ISSUED PURSUANT TO AND IN FULL COMPLIANCE WITH THE CONSTITUTION AND LAWS OF THE STATE OF COLORADO, AND PURSUANT TO

THE BOND RESOLUTION. THE BOND IS A SPECIAL, LIMITED OBLIGATION OF THE DISTRICT, SECURED BY A SUBORDINATE LIEN ON THE NET PLEDGED REVENUES. THE BOND DOES NOT CONSTITUTE A GENERAL OBLIGATION DEBT OF THE DISTRICT, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE DISTRICT, THE STATE NOR ANY OF THE POLITICAL SUBDIVISIONS THEREOF IS LIABLE THEREFOR. NEITHER THE MEMBERS OF THE BOARD OF DIRECTORS OF THE DISTRICT NOR ANY PERSONS EXECUTING THIS BOND SHALL BE PERSONALLY LIABLE FOR THIS BOND.

This Bond may be prepaid on or after February 19, 2030, at the option of the District, as set forth in the Bond Resolution and the Sale Certificate.

This Bond is subject to mandatory sinking fund redemption, as more expressly set forth in the Bond Resolution and the Sale Certificate, according to the following schedule:

[INSERT PAYMENT SCHEDULE]

FOR PURPOSES OF SECTION 265(b)(3)(B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THE DISTRICT HAS DESIGNATED THIS BOND AS A QUALIFIED TAX-EXEMPT OBLIGATION.

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

IN WITNESS WHEREOF, the District has caused this Bond to be signed and executed in its name and upon its behalf with the manual signature of its Chairperson or, in the absence of the Chairperson, the Vice Chairperson, has caused the seal of the District to be affixed hereon and has caused this Bond to be signed, executed and attested with the manual signature of its Secretary or Assistant Secretary, all as of the date specified above.

(Manual Signature)

Chairperson of the Board

(SEAL)

Attest:

(Manual Signature)

District Secretary

(FORM OF CERTIFICATE OF AUTHENTICATION)
CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within-mentioned Bond Resolution.

COLORADO CITY METROPOLITAN
DISTRICT, a Registrar

By _____
District Secretary

Date of Authentication and Registration: _____

(END OF FORM OF CERTIFICATE OF AUTHENTICATION)

(FORM OF ASSIGNMENT)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ to transfer the within Bond on the records kept for the registration thereof with full power of substitution in the premises.

Dated: _____

Signature

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

Signature Guaranteed:

Signature must be guaranteed by a member
of a Medallion Signature Program

Address of Transferee:

Social Security or other tax
identification number of transferee:

(END OF FORM OF ASSIGNMENT)

(FORM OF PREPAYMENT PANEL)

PREPAYMENT PANEL

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

<u>Date of Prepayment</u>	<u>Principal Prepaid</u>	<u>Signature of the Paying Agent</u>

(END OF FORM OF PREPAYMENT PANEL)

(END OF FORM OF BOND)

STATE OF COLORADO)
)
 COUNTY OF PUEBLO) SS.
)
 COLORADO CITY)
 METROPOLITAN DISTRICT)

I, Gregory Collins, the Secretary of the Colorado City Metropolitan District, Pueblo County, Colorado (the "District"), do hereby certify that:

1. The foregoing pages are a true, correct, and complete copy of a resolution adopted by the Board of Directors of the District (the "Board") at a regular meeting of the Board on January 28, 2020 (the "Resolution").

2. The Resolution was duly moved and seconded and was adopted at the regular meeting on January 28, 2020, by an affirmative vote of a majority of the members of the Board as follows:

Name	"Yes"	"No"	Absent	Abstain
Terry Kraus, Chairperson	X			
Gregory Collins, Secretary	X			
Harry Hochstetler, Treasurer	X			
Neil Elliot, Director	X			
Robert Cook, Director		X		

3. The members of the Board were present at such regular meeting and voted on the passage of such Resolution as set forth above.

4. The Resolution was approved and authenticated by the signature of the Chairperson of the Board, sealed with the District seal, attested by the Secretary and recorded in the minutes of the Board.

5. There are no bylaws, rules or regulations of the Board which might prohibit the adoption of said Resolution.

6. Notice of the meeting of January 28, 2020, in the form attached hereto as Exhibit A was posted in on the website of the District and in at least one public place within the limits of the District not less than twenty-four (24) hours prior to the meeting in accordance with law.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said District this January 28, 2020.

(SEAL)


Secretary

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said District this January 28, 2020.

(SEAL)


Secretary



**Amended
COLORADO CITY METROPOLITAN DISTRICT
PUBLIC NOTICE
BOARD OF DIRECTORS STUDY SESSION**

A study session for the Board of Directors of the Colorado City Metropolitan District will be held Tuesday, January 28, 2020 beginning at 6:00 p.m.

1. Vehicle Policy
2. Resolution 05-2020 Authorizing issuance of Water and Wastewater enterprises Revenue Refunding and improvement Bond, Series 2020, in an aggregated principal amount not to exceed \$3,560,000, Including authorization of Water and Wastewater Enterprise Refunding and Improvement Bonds, Series 2012

BOARD OF DIRECTORS REGULAR MEETING

A regular meeting of the Board of Directors of the Colorado City Metropolitan District will be held Tuesday, January 28, 2020 beginning at 6:15 p.m.

1. CALL TO ORDER.
2. PLEDGE OF ALLEGIANCE.
3. MOMENT OF SILENT REFLECTION.
4. QUORUM CHECK.
5. APPROVAL OF AGENDA.
6. APPROVAL OF MINUTES.

Study/Work Session January 14, 2020
Regular Meeting January 14, 2020

7. BILLS PAYABLE.
8. FINANCIAL REPORT.
9. OPERATIONAL REPORT.
10. READING BY CHAIRPERSON OF THE STATEMENT OF CONDUCT AND DEMEANOR.
11. CITIZENS INPUT.
12. AGENDA ITEMS:

Resolution 05-2020 Authorizing issuance of Water and Wastewater enterprises Revenue Refunding and improvement Bond, Series 2020, in an aggregated principal amount not to exceed \$3,560,000, Including authorization of Water and Wastewater Enterprise Refunding and Improvement Bonds, Series 2012

Discussion/Action
Discussion/Action

13. ATTORNEYS REPORT.
14. OLD BUSINESS. J & M Solutions \$205.00 Bill
Geese DOW Controlled Thinning
Evaluation of Manager
15. NEW BUSINESS.
16. CORRESPONDENCE.
17. EXECUTIVE SESSION NA
18. ADJOURNMENT.

Exhibit "A" to Secretary's Certificate

(Attach Notice of Meeting)

The meeting will be held at the Administration Building located at 4497 Bent Brothers Blvd., Colorado City, CO. 81019.
Alternate location if so needed will be at the Recreation Center located at 5000 Cuerno Verde, Colorado City, CO. 81019.
The public is invited to attend.

Posted January 24, 2020

Board of Directors

AFFIDAVIT REGARDING POSTING OF MEETING NOTICE

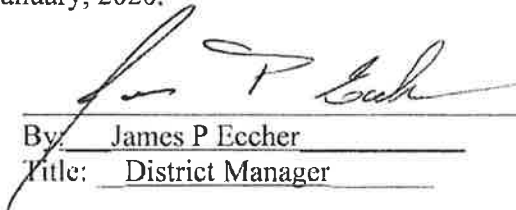
STATE OF COLORADO)
) ss
COUNTY OF PUEBLO)

I, James P Eccher, being first duly sworn, state as follows:

1. I am over the age of 18.
2. I am an employee of Colorado City Metropolitan District.
3. One of my duties is to post notices of meetings and their agendas.

4. I posted the notice and agenda of the regular meeting scheduled for January 28, 2020 on the District's website and in the District's offices located at 4497 Bent Brothers Blvd., Colorado City, Colorado within the boundaries of the District, at approximately 1 pm on January 24, 2020. The notice was also sent to the Pueblo County Clerk and Recorder for posting.

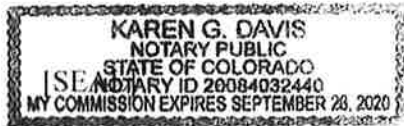
Dated this 24 day of January, 2020.


By: James P Eccher
Title: District Manager

Subscribed and sworn to before me this 24th day of January 2020.


Notary Public

My commission expires: 9-28-20



**AFFIDAVIT OF DIRECTOR OF
COLORADO CITY METROPOLITAN DISTRICT**

STATE OF COLORADO)
) ss
COUNTY OF PUEBLO)

I, Terry E. Kraus, being duly first duly sworn, state as follows:


1. I am over the age of 18.
2. I reside at 8515 Smokey Falls Ct, Colorado Springs 80920
3. I am registered to vote in the State of Colorado.

4. I was at the time of the submission of my self-nomination and acceptance form and at the time of my election to the Board of Directors, and continue to be, qualified to serve on the Board of Directors of the Colorado City Metropolitan District ("District"), and an eligible elector of the District, as defined in C.R.S. § 32-1-103(5) in that:

 I am a resident of the District, and/or

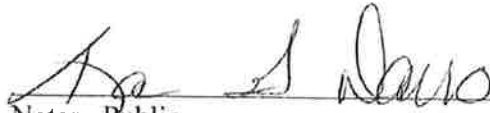
I, or my spouse or civil union partner, own taxable real or personal property situated within the boundaries of the District.

5. I have no known conflicts of interest associated with issuance of the Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, to the Bank of the San Juans, a division of Glacier Bank, or the Project to be funded from such Bond.



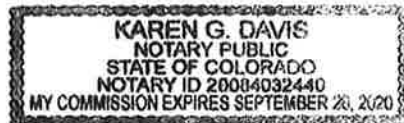
Terry E. Kraus, President
Colorado City Metropolitan District

Subscribed and sworn to before me this 28th day of January, 2020.



Notary Public

My commission expires: 9-28-20



**AFFIDAVIT OF DIRECTOR OF
COLORADO CITY METROPOLITAN DISTRICT**

STATE OF COLORADO)
) ss
COUNTY OF PUEBLO)

I, Gregory B. Collins, being duly first duly sworn, state as follows:

1. I am over the age of 18.
2. I reside at 3018 Lunar dr Colorado City CO 81019
3. I am registered to vote in the State of Colorado.
4. I was at the time of the submission of my self-nomination and acceptance form and at the time of my election to the Board of Directors, and continue to be, qualified to serve on the Board of Directors of the Colorado City Metropolitan District ("District"), and an eligible elector of the District, as defined in C.R.S. § 32-1-103(5) in that:

I am a resident of the District, and/or

I, or my spouse or civil union partner, own taxable real or personal property situated within the boundaries of the District.

5. I have no known conflicts of interest associated with issuance of the Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, to the Bank of the San Juans, a division of Glacier Bank, or the Project to be funded from such Bond.



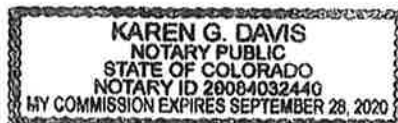
Gregory B. Collins, Secretary
Colorado City Metropolitan District

Subscribed and sworn to before me this 28th day of January, 2020.



Notary Public

My commission expires: 9-28-20



**AFFIDAVIT OF DIRECTOR OF
COLORADO CITY METROPOLITAN DISTRICT**

STATE OF COLORADO)
) ss
COUNTY OF PUEBLO)

I, Neil W. Elliot, being duly first duly sworn, state as follows:


1. I am over the age of 18.
2. I reside at 4073 GRANEROS RD W. COLORADO CITY CO
81019
3. I am registered to vote in the State of Colorado.

4. I was at the time of my appointment to the Board of Directors, and continue to be, qualified to serve on the Board of Directors of the Colorado City Metropolitan District ("District"), and an eligible elector of the District, as defined in C.R.S. § 32-1-103(5) in that:

I am a resident of the District, and/or


I, or my spouse or civil union partner, own taxable real or personal property situated within the boundaries of the District.

5. I have no known conflicts of interest associated with issuance of the Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, to the Bank of the San Juans, a division of Glacier Bank, or the Project to be funded from such Bond.



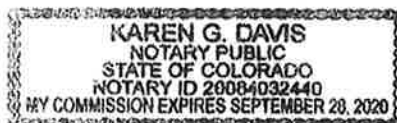
Neil W. Elliot, Director
Colorado City Metropolitan District

Subscribed and sworn to before me this 28th day of January, 2020.



Notary Public

My commission expires: 9-28-20



**AFFIDAVIT OF DIRECTOR OF
COLORADO CITY METROPOLITAN DISTRICT**

STATE OF COLORADO)
) ss
COUNTY OF PUEBLO)

I, Robert Cook, being duly first duly sworn, state as follows:

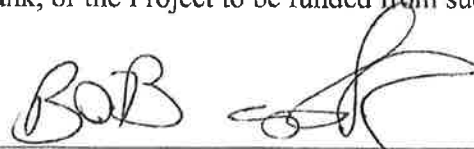
1. I am over the age of 18.
2. I reside at 6955 DAVIS RD RJA CO. 81064
3. I am registered to vote in the State of Colorado.

4. I was at the time of the submission of my self-nomination and acceptance form and at the time of my election to the Board of Directors, and continue to be, qualified to serve on the Board of Directors of the Colorado City Metropolitan District ("District"), and an eligible elector of the District, as defined in C.R.S. § 32-1-103(5) in that:

 I am a resident of the District, and/or

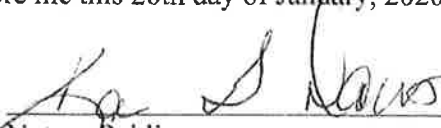
 ✓ I, or my spouse or civil union partner, own taxable real or personal property situated within the boundaries of the District.

5. I have no known conflicts of interest associated with issuance of the Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, to the Bank of the San Juans, a division of Glacier Bank, or the Project to be funded from such Bond.



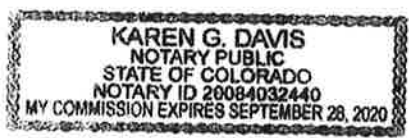
Robert Cook, Director
Colorado City Metropolitan District

Subscribed and sworn to before me this 28th day of January, 2020.



Notary Public

My commission expires: 9-28-20



**AFFIDAVIT OF DIRECTOR OF
COLORADO CITY METROPOLITAN DISTRICT**

STATE OF COLORADO)
) ss
COUNTY OF PUEBLO)

I, Harry A. Hochstetler, being duly first duly sworn, state as follows:


1. I am over the age of 18.
2. I reside at 9115 LAKE VISTA BLVD, Colo City, CO
3. I am registered to vote in the State of Colorado.

4. I was at the time of the submission of my self-nomination and acceptance form and at the time of my election to the Board of Directors, and continue to be, qualified to serve on the Board of Directors of the Colorado City Metropolitan District ("District"), and an eligible elector of the District, as defined in C.R.S. § 32-1-103(5) in that:

X I am a resident of the District, and/or

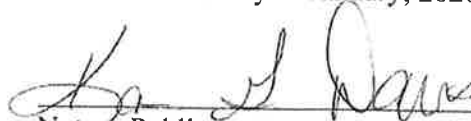
 I, or my spouse or civil union partner, own taxable real or personal property situated within the boundaries of the District.

5. I have no known conflicts of interest associated with issuance of the Water and Wastewater Enterprise Revenue Refunding and Improvement Bond, Series 2020, to the Bank of the San Juans, a division of Glacier Bank, or the Project to be funded from such Bond.



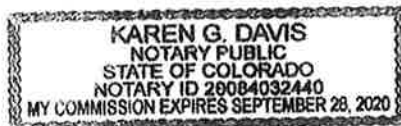
Harry A. Hochstetler, Treasurer
Colorado City Metropolitan District

Subscribed and sworn to before me this 28th day of January, 2020.



Notary Public

My commission expires: 9-28-20



DOCUMENT	RESOLUTION
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SIGNATURES REQUIRED	President	<u>Page</u>
		<u>42</u>
	Secretary	<u>42 & 2</u>
	_____	_____
	_____	_____
	_____	_____
	_____	_____

SEALS REQUIRED YES X NO _____

IF YES, ON PAGE # 42 & 2

NOTARY REQUIRED YES _____ NO _____

IF YES, ON PAGE # _____

STILL NEEDED Complete Voting Results, page 1 (at the end of document).

Attach Notice of Meeting as Ex. A

