

RESOLUTION NO. 14-2012

A RESOLUTION OF COLORADO CITY METROPOLITAN DISTRICT, ACTING BY AND THROUGH ITS WATER ENTERPRSE AND WASTEWATER ENTERPRISE, AUTHORIZING THE ISSUANCE AND SALE OF ITS WATER AND WASTEWATER ENTERPRISE REVENUE REFUNDING AND IMPROVEMENT BONDS IN SUCH SERIES AS DESIGNATED IN THE SALE CERTIFICATE, PROVIDING FOR THE SOURCES OF PAYMENT OF THE BONDS, AND PROVIDING OTHER DETAILS CONCERNING THE BONDS 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 WATER ENTERPRISE AND ITS WASTEWATER ENTERPRISE:

ARTICLE I

DEFINITIONS, INTERPRETATION, RATIFICATION AND EFFECTIVE DATE

Section 101. Meanings and Construction.

A. Definitions. The terms 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:

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

“Acquisition Fund” means the special fund designated as the “Colorado City Metropolitan District Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Acquisition Fund” for such series of Bonds as designated in the Sale Certificate, created pursuant to Section 501 hereof; provided, however, if the District should determine to not issue Bonds to affect the Improvement Project, all references to Acquisition Fund shall be of no force and effect.

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

“Bond Fund” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Bond Fund” for such series of Bonds as designated in the Sale Certificate, created pursuant to Section 605 hereof.

“Bond Requirements” means the principal of, any prior redemption premiums due in connection with, and the interest on the Bonds, 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.

“Bonds” means the District’s Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, in such series as designated in the Sale Certificate, issued pursuant to this Resolution; provided, however that if the District should determine to not issue Bonds for the Improvement Project, “Bonds” shall mean the District’s Water and Wastewater Enterprise Revenue Bonds, in such series as designated in the Sale Certificate.

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

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

“Capital Improvements” means the acquisition of land, 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 Bonds 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 Bonds, and the regulations promulgated thereunder.

“Combined Maximum Annual Principal and Interest Requirements”

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

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

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

“Cost 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, 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 and the issuance of the Bonds;

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

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

(ix) 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;

(x) 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;

(xi) The costs of machinery and equipment;

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

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

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

(xv) All other expenses pertaining to the Improvement Project;

provided, however, that should the District determine to not issue Bonds for 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 Bonds, Cost of Issuance Account” for such series of Bonds as designated in the Sale Certificate, 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 Pledged 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 Pledged Revenues (including without limitation the income or gain from any investment of all Net Pledged Revenues, but excluding borrowed moneys and all income or other gain thereon in any acquisition or construction fund, reserve fund, or any escrow fund for any Parity Bonds payable from Net Pledged Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Pledged Revenues); 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.

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

“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 Bonds and which constitutes Capital Improvements; provided, however, that should the District determine to not issue Bonds for 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 Bonds, Gross Income Fund” hereby 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
 - (ii) Who does not have any substantial interest, direct or indirect, with
- the District, and

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

“Independent Engineer” means an individual, firm or corporation engaged in the engineering profession of recognized good standing and having specific experience in respect of business and properties of a character similar to those of the System, which individual, firm or corporation has no substantial interest, direct or indirect, in the 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.

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

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

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

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

“Operation and Maintenance Expenses” means all 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, 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, after the loans are no longer outstanding, do not include any such operation and maintenance expenses which are paid by the District revenues which do not constitute Gross Pledged Revenues.

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

(i) Except any Bond, Parity Bonds, or other security cancelled by the District, by any paying agent, or otherwise on the District’s behalf, on or before such date;

(ii) Except any Bond, Parity Bond, or other 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 Bond, Parity Bond, or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered pursuant to Sections 305, 306 or 1108 hereof or any similar provisions of the resolution authorizing the issuance of such other security.

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

“Parity Bonds” means, to the extent not refunded by the Bonds, the 2003 Loan and any securities hereafter issued payable from and having an irrevocable lien upon the Net Pledged Revenues on a parity with the Bonds.

“Parity Bond Resolutions” means the 2003 Loan Agreement and the resolution authorizing the issuance of 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.

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

“Paying Agent Agreement” means the agreement between the District and the Paying Agent.

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

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

“Project” means, collectively, the Improvement Project and the Refunding Project.

“Prior Obligations” means the 2003 Loan and the 2009 Loan.

“Purchase Contract” means the Bond Purchase Agreement between the District and the Underwriter concerning the purchase of the Bonds.

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

“Rebate Fund” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Rebate Fund” for such series of Bonds as designated in the Sale Certificate, created pursuant to Section 609 hereof.

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

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

“Refunded Bonds” means the currently outstanding 2009 Loan and any or all of the 2003 Loan which the District has determined to prepay as set forth in the Sale Certificate.

“Refunded Bond Requirements” means (i) the payment of the interest due on the Refunded Bonds as the same become due on and after the date of delivery of the Bonds and 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; (iii) the payment of any prior redemption premium; and (iv) payment of the costs of issuance of the Bonds.

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

“Reserve Fund” means the special fund designated as the “Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Reserve Fund” for such series of Bonds as designated in the Sale Certificate, created pursuant to 606 hereof. Such Reserve Fund shall be separate and specific to the series of Bonds issued pursuant to this Resolution.

“Reserve Fund Requirement” means, as of any date on which it is calculated, the least of (a) 10% of the principal amount of the Bonds, (b) the maximum annual debt service in any calendar year on the Bonds, or (c) 125% of the average annual debt service on the Bonds; provided, however, that the Reserve Fund Requirement may be reduced if, in the opinion of Bond Counsel, the funding or maintenance of it at the level otherwise determined pursuant to this definition will adversely affect the exclusion from gross income tax for federal income tax purposes of interest on any of the Bonds.

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

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

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

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

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

“State” means the State of Colorado.

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

“Supplemental Public Securities Act” means Part 2 of Article 57 of Title 11, 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 used in connection with such System of the District, and in any way pertaining thereto, 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 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 Bonds.

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

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

“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 on a parity with the lien thereon on the 2003 Loan and the 2012 Bonds.

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

“2009 Loan” means the loan from U.S. Bank National Association to the District, evidenced by a promissory note pursuant to the Loan Agreement, originally issued in the aggregate principal amount of \$2,414,248 and currently outstanding in the aggregate principal amount of \$2,104,032.60, which 2009 Loan and 2009 Loan Agreement have a lien on the Net Revenues on a parity with the lien thereon of the 2003 Loan and the Bonds.

“2009 Loan Agreement” means the Loan Agreement between U.S. Bank National Association and the District, dated December 18, 2009

“Underwriter” means George K. Baum & Company, Denver, Colorado, as purchaser of the Bonds.

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

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

B. District-Held Securities. 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.

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 and wastewater system (the "System" as further described below) 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 (collectively, the "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. 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.

G. 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 affect such improvements (the "Improvement Project")

H. The District has heretofore issued the Prior Obligations payable from and secured by a lien on its Net Pledged Revenue.

I. The District is not delinquent in the payment of any of the principal of or interest on the Prior Obligations.

J. Pursuant to Section 3.07 of the 2003 Loan Agreement, the District may prepay the 2003 Loan, in whole or in part, upon prior written notice not less than ninety (90) days in addition to the number of days advance notice to the Authority's bond trustee required for any optional redemption of the Authority's bonds, for the principal amount of the 2003 Loan to be prepaid plus the interest to accrue to the date of optional redemption upon prior written approval of the Authority.

K. Pursuant to Section 3.8 of the 2009 Loan Agreement, the District may prepay the 2009 Loan upon consent from U.S. Bank National Association.

L. The District expects U.S. Bank to consent to such prepayment of the 2009 Loan.

M. The Board has determined that the District's overall interest costs will be less if it effects the Refunding Project.

N. The Board hereby determines that the interest of the District and the public interest and necessity require the Refunding Project and the Improvement Project.

O. The Board hereby determines that the Refunding Project and the Improvement Project serve a valid governmental purpose and are necessary, expedient and in the best interests of the District and its customers and constituents, and the residents and taxpayers of the District.

P. The District intends to issue the Bonds to defray in part the cost of the Refunding Project and Improvement Project.

Q. The Board has determined, and does hereby determine, that the interest of the District and the public interest and necessity require the prepayment of all or any portion of the 2003 Loan, if agreed to by the CWRPDA, and the prepayment of the 2009 Loan and the issuance of the Bonds for the Refunding Project pursuant to the Act.

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

S. Except for the Prior Obligations, 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 Bonds on a parity with the Prior Obligations, and they may be made payable from the Net Pledged Revenues.

T. 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.

U. The Board deems it necessary and advisable to issue the Bonds, as herein provided, to provide funds to finance the Refunding Project and the Improvement Project.

V. The Board has further determined and hereby further declares that the District is authorized and the Bonds shall be issued pursuant to the provisions of Title 32, Article 1; Title 37, Article 45.1; Title 31, Article 35; and Title 11, Article 57, Part 2, C.R.S.

W. The District is authorized by Article X, Section 20 of the Colorado Constitution, Title 31, Article 35, Part 4, C.R.S., Title 32, Article 1, and Title 37, Article 45.1, C.R.S. to issue the bonds without an election.

X. Pursuant to Article X, Section 20 of the Colorado Constitution and Article 45.1 of Title 37, Colorado Revised Statutes, the Bonds may be issued without voter approval since the System constitutes an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution.

Y. Pursuant to Section 11-57-203, Colorado Revised Statutes, 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 Bonds and to determine the rates of interest on the Bonds, the redemption provisions of the Bonds, the price at which the Bonds will be sold, the aggregate principal amount of the Bonds to be issued and the amount of principal maturing, or subject to mandatory redemption, in any particular year.

Z. 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 Bonds in order to exercise the District's option to prepay or redeem the Refunded Bonds;

ii. The Bonds shall be issued for the Refunding Project and to undertake the Improvement Project;

iii. Net Pledged Revenues shall be pledged to the payment of the Bonds on a parity with the remaining Prior Obligations; and

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

BB. There are on file with the District the forms of the following documents: (i) the form of the Bond Purchase Agreement; (ii) the form of the Paying Agent and Registrar Agreement; (iii) the form of Preliminary Official Statement; (iv) the Letter of Representations; and (v) the form of the Continuing Disclosure Certificate.

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

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 Paying Agent, the Owners of the Bonds and the Owners of any Parity Bonds or other securities payable from the Net Pledged Revenues when reference is expressly made thereto. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Board, the Paying Agent, the Owners of the Bonds and the Owners of any such other securities in the event of such a reference.

Section 104. Ratification; Approval of Documents. All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board, the officers of the District and otherwise taken by the District directed toward the Project and the sale and delivery of the Bonds for such purposes, be, and the same hereby is, ratified, approved and confirmed.

Section 105. Repealer. All bylaws, orders, resolutions 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 be, and the same hereby are, suspended.

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

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

Section 108. Conclusive Recitals. Pursuant to Section 11-57-210 of the Supplemental Public Securities Act, the Bonds shall contain a recital that they are issued pursuant to the Supplemental Public Securities Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value. In addition, pursuant to Section 31-35-413, C.R.S., the Bonds shall contain a recital that they are 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 Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

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

ARTICLE II

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

Section 201. Authorization. The Bonds are 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 Bonds in the aggregate principal amounts 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 Owners of any and all of the Outstanding Bonds and any Outstanding Parity Bonds heretofore or hereafter authorized and issued, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such securities over any other thereof, except as otherwise expressly provided in or pursuant to this Resolution.

Section 203. Special Obligations. All of the Bond Requirements of the Bonds shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are so pledged; the Owner or Owners of the Bonds may not look to any general or other fund for the payment of such Bond Requirements, except the herein designated special funds pledged therefor; the Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional, or statutory provision or limitation; and the Bonds shall not be considered or held to be general obligations of the District but shall constitute its special obligations of the District. No statutory or constitutional provision enacted after the issuance of the Bonds shall in any manner be construed as limiting or impairing the obligation of the District to comply with the provisions of this Resolution or to pay the Bond Requirements of the Bonds as herein provided.

Section 204. Character of Agreement. None of the covenants, agreements, representations and warranties contained herein or in the Bonds shall ever impose or shall be construed as imposing any liability, obligation or charge against the 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 Bonds 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 Bonds. No property of the District, subject to such exception, shall be liable to be forfeited or taken in payment of the Bonds.

Section 206. No Recourse Against Officers and Agents. No recourse shall be had for the payment of the Bond Requirements of the Bonds 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 Bonds and as part of the consideration of their 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 Bonds shall be used therefor.

Section 208. Enterprise Status. The Board, on behalf of the District, hereby confirms its determination that the System shall be an “enterprise” for the purposes of Article X, Section 20 of the State Constitution and Title 37 Article 45.1, C.R.S. In particular, the System shall be owned by the District and 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 Bonds. The Bonds shall be sold by negotiated sale to the Underwriter. Pursuant to the Supplemental Public Securities Act, the Board hereby delegates to any member of the Board the authority to execute the proposal submitted by the Underwriter.

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

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

Section 212. Other Related Documents. The forms, terms and provisions of, and the performance by the District of its obligations under the Preliminary Official Statement, the Paying Agent Agreement, the Letters of Representation and the Continuing Disclosure Certificate are hereby approved, and the Chairperson, the Vice Chairperson and the Secretary or Assistant Secretary are hereby authorized and directed to execute each of such documents on behalf of and in the name of the District, and to deliver each of such documents, in substantially the form on file with the Secretary or Assistant Secretary, with such changes as are not inconsistent herewith.

Section 213. Election to Apply Supplemental Public Securities Act to the Bonds. Pursuant to Section 11-57-204 of the Supplemental Public Securities Act, a public entity, including the 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 Bonds. Pursuant to Section 11-57-205 of the

Supplemental Public Securities Act, the Board hereby delegates to any member of the Board the authority to make the following determinations with respect to the Bonds, 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 Bonds shall not exceed 4.5% per annum.

(ii) Redemption Provisions. The Bonds be subject to optional redemption not later than December 1, 2019, at a redemption price not to exceed 100%.

(iii) Purchase Price. The price of the Bonds shall not be less than 96% of the aggregate principal amount of the Bonds.

(iv) Principal Amount. The aggregate principal amount of the Bonds shall not exceed \$4,500,000.

(v) Maturity Schedule. The maximum annual principal of and interest on the Bonds maturing, or subject to mandatory sinking fund redemption in any particular year shall not exceed \$600,000 and the total repayment cost shall not exceed \$7,000,000.

(vi) Term of the Bonds. The Bonds shall not mature later than December 1, 2034.

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

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

Section 302. Execution of Bonds. The Bonds shall be executed in the name of the District by the manual or facsimile signature of the Chairperson or, in the absence of the Chairperson, the Vice Chairperson, shall be sealed with the corporate seal of the District or a

facsimile thereof thereunto affixed, imprinted, engraved or otherwise reproduced and shall be attested by the manual or facsimile signature of the Secretary or Assistant Secretary. Any Bond may be signed (manually or by facsimile), 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. The Chairperson, the Vice Chairperson, the Secretary or the Assistant Secretary may adopt as and for his or her own facsimile signature the facsimile signature of his or her predecessor in office in the event that such facsimile signature appears on any of the Bonds. Before the execution of any Bond, the Chairperson or the Vice Chairperson and the Secretary or the Assistant Secretary shall each file with the Colorado Secretary of State his or her manual signature certified by him or her under oath.

Section 303. Authentication Certificate. The authentication certificate upon the Bonds shall be substantially in the form and tenor provided in the form of the Bonds attached to this Resolution as **Exhibit A**. No Bond shall be secured hereby or entitled to the benefit hereof, nor shall any Bond be valid or obligatory for any purpose, unless the certificate of authentication, substantially in such form, has been duly executed by the Paying Agent and such certificate of the Paying Agent upon any Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer or employee of the Paying Agent, but it shall not be necessary that the same officer or employee sign the certificate of authentication on all of the Bonds.

Section 304. Registration and Payment. The Paying Agent shall keep or cause to be kept sufficient records for the registration and transfer of the Bonds, which shall at all times be open to inspection by the 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, Bonds 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 any Bond shall be made only to the Owner thereof or his or her legal representative, but such registration may be changed upon transfer of such Bond in the manner and subject to the conditions and limitations provided herein. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid. The foregoing provisions of this Section are subject to the provisions of Section 307 hereof.

Section 305. Transfer and Exchange. Any Bond may be transferred upon the records required to be kept pursuant to the provisions of Section 304 hereof by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Whenever any Bond or Bonds shall be surrendered for transfer, the Paying Agent shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount and of the same maturity and interest rate and of any authorized denominations. The Bonds may be exchanged by the Paying Agent for a like

aggregate principal amount of Bonds of the same maturity and interest rate and of other authorized denominations. The execution by the District of any Bond of any denomination shall constitute full and due authorization of such denomination and the Paying Agent shall thereby be authorized to authenticate and deliver such Bond.

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

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

The foregoing provisions of this Section are subject to the provisions of Section 307 hereof.

Section 306. Bond Replacement. Upon receipt by the District and the Paying Agent of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Bond and, in the case of a lost, stolen or destroyed Bond, of indemnity satisfactory to them, and in the case of a mutilated Bond upon surrender and cancellation of the Bond, (a) the District shall execute and the Paying Agent shall authenticate and deliver a new Bond of the same date, interest rate and denomination in lieu of such lost, stolen, destroyed or mutilated Bond, or (b) if such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the District may pay such Bond. Any such new Bond shall bear a number not previously assigned. The applicant for any such new Bond may be required to pay all expenses and charges of the District and of the Paying Agent in connection with the issuance of such Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities.

Section 307. Custodial Deposit.

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

(1) to any successor of The Depository Trust Company or its nominee, which successor must be both a "clearing corporation" as defined in Section 4-8-102(a)(5), C.R.S. and a

qualified and registered “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended; or

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

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

B. Successor. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (1) or (2) of paragraph A hereof, upon receipt of the outstanding Bonds by the Paying Agent together with written instructions for transfer satisfactory to the Paying Agent, a new Bond for each maturity and interest rate of the Bonds then outstanding shall be issued to such successor or new depository, as the case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) of paragraph A hereof and the failure after reasonable investigation to located another qualified depository institution for the Bonds as provided in clause (3) of paragraph A hereof, and upon receipt of the outstanding Bonds by the Paying Agent, together with written instructions for transfer satisfactory to the Paying Agent, new Bonds shall be issued in authorized denominations as provided in and subject to the limitations of Sections 301, 304, and 305 hereof, registered in the names of such Persons, as are requested in such written transfer instructions; however, the Paying Agent shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

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

D. Payment. The Board and the Paying Agent shall endeavor to cooperate with The Depository Trust Company or any successor or new depository named pursuant to clause (1) or (2) of paragraph A hereof in effectuating payment of the principal amount of the

Bonds upon maturity or prior redemption by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

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

Section 308. Bond Cancellation. Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Paying Agent for transfer, exchange or replacement as provided herein, such Bond shall be promptly canceled and destroyed by the Paying Agent.

Section 309. Bond Form. Subject to the provisions of this Resolution, each Bond shall be in substantially the form attached hereto as **Exhibit A**, with such omissions, insertions, endorsements and variations as to any recitals of fact or other provisions as may be required by the circumstances, be required or permitted by this 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. Optional Redemption. The Bonds will be subject to redemption at the option of the District from any legally available funds as set forth in the Sale Certificate.

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

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

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

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

Section 404. Notice of Prior Redemption. Notice of optional or mandatory redemption shall be given by the Paying Agent in the name of the District by sending a copy of such notice by first-class, postage prepaid mail, not more than sixty nor less than thirty days prior to the Redemption Date to each Owner at his address as it last appears on the registration books kept by the Paying Agent; but neither failure to give such notice nor any defect therein shall affect the redemption of any Bond. Such notice shall identify the Bonds to be so redeemed (if less than all are to be redeemed) and the Redemption Date, and shall further state that on such

Redemption Date there will become and be due and payable upon each Bond so to be redeemed, at the principal office of the Paying Agent, the principal amount thereof, accrued interest to the Redemption Date, and the stipulated premium, if any, and that from and after such date interest will cease to accrue. Notice having been given in the manner hereinabove provided, the Bond or Bonds so called for redemption shall become due and payable on the Redemption Date so designated; and upon presentation thereof at the principal office of the Paying Agent, the Paying Agent will pay the Bond or Bonds so called for redemption. No further interest shall accrue on the principal of any such Bond called for redemption from and after the Redemption Date, provided sufficient funds are deposited with the Paying Agent and available on the Redemption Date.

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

Section 405. Bonds Owned by the 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.

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

ARTICLE V

USE OF BOND PROCEEDS AND OTHER MONEYS

Section 501. Disposition of Bond Proceeds. The proceeds of the Bonds (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. **Prepayment of Prior Obligations.** Proceeds in an amount sufficient to prepay, discharge and satisfy the 2003 Loan, if refunded as part of the Refunding Project, and the 2009 Loan shall be deposited with the designee of the CWRPDA and U.S. Bank National Association, respectively, in order to effect the Refunding Project.

B. **Reserve Fund.** An amount equal to the portion of the Reserve Fund Requirement for the Bonds 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 Bonds Reserve Fund.”

C. Acquisition Fund. The remaining proceeds derived from the sale of the 2012A Bonds 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 Bonds Acquisition Fund” and used to pay the Improvement Project, if part of the Project.

D. Cost of Issuance Account. The remaining proceeds derived from the sale of the Bonds 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 Bonds, Cost of Issuance Account.”

E. After the completion of the Project, or after adequate provision is made therefore, any unexpended balance of Bond proceeds shall be deposited in the Bond Fund to be used to pay the principal of and interest on the Bonds.

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

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 Bonds. 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 Bonds are applied as herein provided, such Bond proceeds are subject to a lien thereon and pledge thereof for the benefit of the Owners of the Outstanding Bonds as provided in Section 601 hereof.

Section 505. Underwriter Not Responsible. The validity of the Bonds is not dependent upon nor affected by the validity or regularity of any proceedings relating to the application of the Bond proceeds. The Underwriter and any subsequent Owners of any of the Bonds 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 Bonds or of any other moneys herein designated.

ARTICLE VI

ADMINISTRATION OF AND ACCOUNTING FOR PLEGGED REVENUES

Section 601. Pledge Securing Bonds. Subject only to the right of the District to cause amounts to be withdrawn and paid on account of Operation and Maintenance Expenses of the System, the Gross Pledged Revenues and, subject to the right of the District to cause amounts to be withdrawn to pay the cost of the Refunding Project as provided herein and other than moneys and securities held in the Rebate Fund to the extent such amounts are required to be paid to the United States, all moneys and securities paid or to be paid to or held or to be held in any account under this Article or under Section 501 hereof are hereby pledged to secure the payment of the Bond Requirements of the Outstanding Bonds. The pledge of the Net Pledged Revenues to secure the payment of the Bond Requirements of the Outstanding Bonds and the Parity Bonds is on a parity with the pledge of the Net Pledged Revenues for, and lien thereon of the Parity Bonds heretofore issued and any other Parity Bonds hereafter issued in compliance with the provisions of Article VIII hereof. The pledge of the Net Pledged Revenues shall be valid and binding from and after the date of the delivery of the Bonds, 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 any Outstanding Parity Bonds heretofore or hereafter authorized as provided herein. 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 Bonds and any Parity Bonds shall be Outstanding, as to any Bond Requirements related to the Bonds and any Parity Bonds, the entire Gross Pledged Revenues, 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 Bonds and any Parity Bonds shall be Outstanding, as to any Bond Requirements related to the Bonds 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, concurrently with each other and 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 Refunding and Improvement Bonds, Bond Fund," the following amounts:

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

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

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

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

Section 606. Reserve Fund Payments. Upon delivery of the Bonds, proceeds of the Bonds 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, Reserve Fund” in satisfaction of the Reserve Fund Requirement.

Upon the execution and delivery of the Bonds, the amount set forth in Section 501(B) hereof shall be deposited into the Reserve Fund from proceeds of the Bonds.

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 Bonds and any such Parity Bonds then Outstanding; provided, however, that compliance with the provisions of this sentence shall not cure any Event of Default caused by non-compliance with the first sentence of this paragraph. 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 Bonds Outstanding from time to time from the failure to deposit into the Bond Fund sufficient moneys to pay such Bond Requirements as the same accrue and become due. No payment need be made into the Reserve Fund at any time so long as the moneys therein equal not less than the Reserve Fund. The Reserve Fund Requirement shall be re-calculated upon (i) any principal payment, whether at stated maturity or upon redemption, or (ii) the defeasance of all or a portion of the Bonds.

The 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 Bonds.

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 all Bonds Outstanding are 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 Outstanding Bonds as the same become due; and any moneys in excess thereof in those two accounts and any other moneys derived from the Net Pledged Revenues or otherwise pertaining to the System may be used to make required payments into the Rebate Fund or in any other lawful manner determined by the 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. If, (i) upon notice from the District requesting a draw or (ii) failure of the Paying Agent to receive the Bond Requirements by the third Business Day prior to June 1 or December 1 in each year, the Paying Agent determines that it is necessary to draw on the reserve fund insurance policy, the Paying Agent shall present a demand for payment, in the form and manner required by the reserve fund insurance policy, at least two Business Days before funds are needed. If there is more than one reserve fund insurance policy on deposit in the Reserve Fund, the Paying Agent shall draw on them on a pro rata basis, based upon the amount available to be drawn on each.

Any money so used or drawn shall be replaced as provided in Section 606 hereof from the first Net Pledged Revenues thereafter received and not required to be otherwise applied by this Article. Except as provided in Section 606 hereof, the moneys in the Bond Fund and in the Reserve Fund (including any reserve fund insurance policy) shall be used solely and only for the purpose of paying the Bond Requirements of the Bonds from time to time.

If the amount on deposit in the either of the Reserve Funds exceeds the Reserve Fund Requirement for any reason, the amount to be released from such Reserve Fund shall be as directed in writing by the District Manager. Any excess amount released from the Reserve Fund may be deposited in the Bond Fund, or deposited into a defeasance escrow account, or may be applied for other purposes, as directed in writing by the District Manager for such purposes authorized by law.

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, 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 Bonds at least three days prior to each interest payment date and each maturity or mandatory Redemption Date herein

designated in amounts sufficient to pay the Bond Requirements then becoming due on the Outstanding Bonds.

Section 703. Investment of Moneys. Any moneys in the Acquisition Fund, the Cost of Issuance Account, Income Fund, Bond Fund, Reserve Fund, and 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 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 any Bonds shall be used without requisition, voucher, warrant, further order or authority (other than is contained herein), or any other preliminaries, to pay promptly the Bond Requirements of any Bonds payable from such fund or account as such amounts are due, except to the extent any other moneys are available therefor.

ARTICLE VIII

SECURITIES LIENS AND ADDITIONAL SECURITIES

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

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

Section 803. Issuance of Parity Bonds. 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 Bonds; but

before any such additional Parity Bonds, except as provided in Section 808, are authorized or actually issued all of the following conditions are 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 120% of the Combined Maximum Annual Principal and Interest Requirements of all outstanding indebtedness of the District during such 12 month period payable from the Net Pledged Revenues and such proposed indebtedness to be issued and the Combined Maximum Annual Principal and Interest Requirements on all indebtedness and other obligations payable from the Net Pledged Revenues.

C. Adjustment of Gross Pledged Revenues. In any computation under paragraph B of this Section, the amount of the Gross Pledged Revenues for the applicable period shall be decreased and may be increased by the amount of loss or gain conservatively estimated by an Independent Accountant, Independent Engineer or the District Manager, as the case may be, which results from any changes, which became effective not less than 60 days prior to the last day of the period for which Gross Pledged Revenues are determined, in any schedule of fees, rates and other charges constituting Gross Pledged Revenues based on the number of users during the applicable period as if such modified schedule of fees, rates and other charges shall have been in effect during such entire time period. However, the Gross Pledged Revenues need not be decreased by the amount of any such estimated loss to the extent the Independent Accountant, the Independent Engineer or the 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. A written certificate or written opinion by the District Manager under Section 803 B that such annual revenues, when adjusted as hereinabove provided in paragraphs C, D, and E of Section 803 hereof, are sufficient to pay such amounts, as provided in paragraph B of Section 803 hereof, shall be conclusively presumed to be accurate in determining the right of the District to authorize, issue, sell and deliver additional securities on a parity with the Bonds.

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 Bonds.

Section 806. Superior Securities Prohibited. 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 Bonds.

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 Bonds, Parity Bonds, or other securities payable from Net Pledged Revenues, regardless of the priority or the lien of such securities on Net Pledged Revenues.

Section 808. Issuance of Refunding Securities. The District may issue any refunding securities payable from Net Pledged Revenues to refund any Outstanding Bonds, 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 Bonds, or any part thereof, are Outstanding, refunding securities payable from Net Pledged Revenues may be issued on a parity with the unrefunded Bonds only if:

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

B. **Requirements Not Increased.** The Combined Maximum Annual Principal and Interest Requirements for the Bonds and Parity Bonds Outstanding immediately after the issuance of the refunding securities is not greater than the Combined Maximum Annual Principal and Interest Requirements for all Bonds and Parity Bonds Outstanding immediately prior to the issuance of the refunding securities and the lien of any refunding Parity Bonds on the Net

Pledged Revenues is not raised to a higher priority than the lien thereon of any securities thereby refunded; or

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

ARTICLE IX

PROTECTIVE COVENANTS

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

Section 902. Performance of Duties. The 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 Pledged 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 Bonds and of any securities hereafter authorized and the Gross Pledged Revenues and their application from time to time to the respective accounts provided therefor.

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

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

Section 905. Conditions Precedent. Upon the date of issuance of the Bonds, all conditions, acts and things required by the Federal or State Constitution, the 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 Bonds shall exist, have happened, and have been performed; and the Bonds, 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 Gross 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 Gross Pledged Revenues, except the pledge and lien created by this Resolution for the payment of the Bond Requirements of the Bonds 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 Gross 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.

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 Bonds, 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 any Bond or other security payable from Net Pledged Revenues relating thereto might be prejudicially and materially impaired or diminished.

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

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

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

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

Section 914. Disposal of System Prohibited. Except for the use of the System and services pertaining thereto in the normal course of business, or as provided in Section 915 hereof, neither all nor a substantial part of the System shall be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of, until all the Bonds have been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the Bonds have otherwise been redeemed, including, without limitation, the termination of the pledge as herein authorized; and the 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. 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 Gross Pledged Revenues in the Income Fund.

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

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

Section 918. Employment of Management Engineers. If the District defaults in paying the Bond Requirements of the Bonds, the Parity Bonds, and any other securities relating thereto payable from the Gross 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 Outstanding Bonds, Parity Bonds, and any other securities (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 Bonds remain 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 Bonds, 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 service 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 Gross Pledged Revenues shall be adequate to meet the requirements of this and the preceding Sections hereof.

Such charges pertaining to the System shall be at least sufficient so that the Gross Pledged Revenues annually are sufficient to pay in each Fiscal Year:

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

B. **Principal and Interest.** An amount equal to 120% of both the principal and interest on the Bonds and any Parity Bonds then Outstanding payable from the Net Pledged Revenues in that Fiscal Year (excluding the reserves therefor), 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 Gross Pledged Revenues or any securities payable therefrom.

Section 922. Limitations Upon Free Service. No free service or facilities shall be furnished by the System, except as hereinafter provided. If the 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 may be paid for from the District's general fund or from other available revenues other than Gross Pledged Revenues at the reasonable value of the use so made; provided that the 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 Bonds, 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 Gross 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 Bonds and any Parity Bonds payable from the Gross 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 60 days following the close of each Fiscal Year, shall order an audit for the Fiscal Year of such books and accounts to be made forthwith by an Independent Accountant, and order an audit report showing the receipts and disbursements for each account pertaining to the System and the Gross Pledged Revenues.

Section 928. Accounting Principles. System records and accounts, and audits thereof, shall be currently kept and made, as nearly as practicable, in accordance with the then generally accepted accounting principles, methods and terminology followed and construed for utility operations comparable to the System, except as may be otherwise provided herein or required by applicable law or regulation or by contractual obligation existing on the effective date of this 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 loss of revenues and against public and other liability to the extent reasonably necessary to protect the interests of the District and of each Owner of a 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 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 Section 611 hereof.

Section 930. Federal Income Tax Exemption.

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

Section 931. Continuing Disclosure. The District shall comply with the provisions of the Continuing Disclosure Certificate. Any failure by the District to perform in accordance with this Section shall not constitute an Event of Default under this Resolution, and the rights and remedies provided by this Resolution upon the occurrence of an Event of Default shall not apply to any such failure. The Paying Agent shall not have any power or duty to enforce this Section. No Owner of a Bond shall be entitled to damages for the District's non-compliance with its obligations under this Section; however, the Owners of the Bonds may enforce specific performance of the obligations contained in this Section by any judicial proceeding available.

ARTICLE X

PRIVILEGES, RIGHTS AND REMEDIES

Section 1001. Owners' Remedies. Each Owner of any Bond shall be entitled to all of the privileges, rights and remedies provided 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 Gross Pledged Revenues and the proceeds of the Bonds.

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

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

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

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

C. Cross Defaults. The occurrence and continuance of an “event of default,” as defined in any Parity Bond 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 Gross Pledged Revenues and any other moneys subject to the lien to secure the payment of the Bonds, or if an order or decree having been entered without the consent or acquiescence of the 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 the items described in C, D or E above or of any other of the representations, covenants, conditions, agreements and other provisions contained in the Bonds 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 Owners of not less than 25 percent in aggregate principal amount of Bonds then Outstanding.

Section 1004. Remedies for Defaults. Upon the happening and continuance of any Event of Default, the Owner or Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the District and its agents, officers and employees to protect and to enforce the

rights of any Owner of Bonds 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 such Owner or Owners may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any Owner of any Bond, or to require the 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 equal benefit of all Owners of the Bonds.

Section 1005. Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of such Owners hereunder, the consent to any such appointment being hereby expressly granted by the 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 Gross Pledged Revenues arising after the appointment of such receiver in the same manner as the District itself might do.

Section 1006. Rights and Privileges Cumulative. The failure of any Owner of any Outstanding Bond to proceed in any manner herein provided shall not relieve the 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 any such Owner (or trustee thereof) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof.

Section 1007. Duties upon Defaults. Upon the happening of any Event of Default, the District shall do and perform all proper acts on behalf of and for the Owners of Bonds to protect and to preserve the security created for the payment of the Bonds and to insure the payment of the Bond Requirements promptly as the same become due. While any Event of Default exists, except to the extent it may be unlawful to do so, all Gross Pledged Revenues shall be paid into the Bond Fund and into bond or similar funds established for any Parity Bonds then Outstanding, pro rata based upon the aggregate principal amount of the Bonds and Parity Bonds then Outstanding. If the District fails or refuses to proceed as in this Section provided, the Owner or Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the Owners of the Bonds as hereinabove provided, and to that end any such Owners of the Outstanding Bonds shall be subrogated to all rights of the District under any agreement, lease or other contract involving the System or the Gross Pledged Revenues entered into prior to the effective date of this Resolution or thereafter while any of the Bonds are Outstanding.

ARTICLE XI

AMENDMENT OF RESOLUTION

Section 1101. Privilege of Amendments.

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

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

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

- (1) to add to the covenants and agreements of the District in this Resolution contained other covenants and agreements thereafter to be observed;
- (2) to subject to the covenants and agreements of the District in this Resolution additional System revenues, to be defined and treated as Gross Pledged Revenues, for the purpose of providing additional security for the Bonds and any Parity Bonds;
- (3) in connection with the provision of a reserve fund insurance policy subsequent to the issuance of the Bonds;

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

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

(6) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest allocable to the Bonds.

Section 1102. Notice of Amendment. Whenever the Board proposes to amend or modify this Resolution under the provisions of this Article, it shall cause notice of the proposed amendment to be mailed to Owners of all Outstanding Bonds at their addresses as the same last appear on the registration records maintained by the Paying Agent. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file with the District Manager for public inspection. Notice of the proposed amendment, together with a copy of the proposed amendatory resolution, shall be delivered to the Rating Agencies then maintaining a rating on the Bonds at least 15 days in advance of the adoption of the amendment.

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

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

Section 1105. Time Consent Binding. Any consent given by the Owner of a Bond pursuant to the provisions of this Article shall be irrevocable for a period of 6 months from the date of the giving of the notice above provided for and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after 6 months from the date of such giving of such notice by the Owner who gave such consent or by a successor in title by filing notice of such revocation with the District Manager,

but such revocation shall not be effective if the Owners of not less than 66% in aggregate principal amount of the Bonds Outstanding as in this Article provided, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

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

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

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

Section 1109. Proof of Instruments and Bonds. The fact and date of execution of any instrument under the provisions of this Article, the amount and number of the Bonds held by any Person executing such instrument, and the date of his or her holding the same may be proved as provided by Section 1303 hereof.

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

ARTICLE XII

RESERVED

ARTICLE XIII

MISCELLANEOUS

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

Payment of any Outstanding Bond shall prior to the maturity or Redemption Date thereof be deemed to have been provided for within the meaning and with the effect expressed in this Section if (a) in case said Bond is to be redeemed on any date prior to its maturity, the 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 404 hereof, notice of redemption of such Bond on said Redemption Date, such notice to be given in accordance with the provisions of Section 404 hereof, (b) there shall have been deposited with the Paying Agent or 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 404 hereof, a notice to the Owner of such Bond that the deposit required by (b) above has been made with the Paying Agent or 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; 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 with respect to all Bonds then Outstanding, this Resolution may be discharged in accordance with the provisions of this Section but the liability of the District in respect of the Bonds shall continue; provided that the Owners thereof shall thereafter be entitled to payment only out of the moneys or Federal Securities deposited with the Paying Agent or other Trust Bank as provided in this Section.

Section 1302. Delegated Powers. The officers, 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:

A. Final Certificates. the execution of such certificates as may be reasonably required by the Underwriter, including a Continuing Disclosure Certificate;

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

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

D. Purchase Contract. the execution and delivery of the Purchase Contract between the District and the Underwriter.

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 Owners of any Bonds may be in one or more instruments of similar tenor and shall be signed or shall be executed by each such Owner in person or by his or her attorney appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this 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 any Owner of any Bonds or his or her attorney of such instrument may be established by a certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the District Manager of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, that the individual signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer; the authority of the individual or individuals executing any such instrument on behalf of a corporate Owner of any securities may be established without further proof if such instrument is signed by an individual purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by an individual purporting to be its secretary or an assistant secretary; and the authority of any Person or Persons executing any such instrument in any fiduciary or representative capacity may be established without further proof if such instrument is signed by a Person or Persons purporting to act in such fiduciary or representative capacity; and

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

Section 1304. Parties Interested Herein. Nothing in this 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 Owners of the Bonds, 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 Owners of the Bonds.

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, 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

If to the Paying Agent at:

UMB Bank, n.a.
1670 Broadway, Suite 100
Denver, Colorado 80202
Attention: Corporate Trust Services

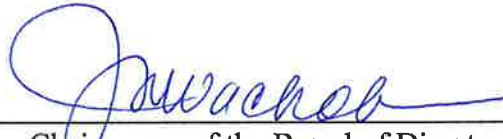
Any of the foregoing Persons may, by notice given hereunder to each of the other Persons, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 1306. Additional Notices to Rating Agencies. The Paying Agent hereby agrees that if at any time (a) the District shall redeem any portion of the Bonds Outstanding prior to maturity, but excluding redemptions pursuant to Section 402 hereof, (b) the District shall provide for the payment of any portion of the Bonds pursuant to Section 1301 hereof, (c) a successor Paying Agent is appointed hereunder, or (d) any supplement to this Resolution shall become effective or any Person shall waive any provision of this Resolution, then, in each case, the Paying Agent shall give notice to each Rating Agency.

Section 1307. 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 November 13, 2012.

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



Chairperson of the Board of Directors

(SEAL)

Attest:

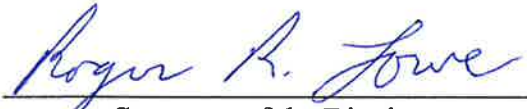

Secretary of the District

EXHIBIT A

(FORM OF BOND)

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

UNITED STATES OF AMERICA

STATE OF COLORADO

COUNTY OF PUEBLO

**COLORADO CITY METROPOLITAN DISTRICT
ACTING BY AND THROUGH ITS WATER ENTERPRISE
AND ITS WASTEWATER ENTERPRISE
WATER AND WASTEWATER ENTERPRISE REVENUE
REFUNDING BONDS
SERIES [2012/2013]**

No. R- _____ \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED AS OF</u>	<u>CUSIP</u>
_____ %	_____, 20__	[Date of Delivery]	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Colorado City Metropolitan District (the “District”), in the County of Pueblo and State of Colorado (the “State”), acting by and through its Water Enterprise and its Wastewater Enterprise, for value received, hereby promises to pay to the registered owner specified above, or registered assigns, upon the presentation and surrender of this bond, solely from the special funds provided therefor, as hereinafter set forth, the principal amount set forth above on the maturity date specified above (unless this bond shall have been called for prior redemption, in which case on the Redemption Date) and to pay solely from such special funds interest hereon at the interest rate per annum specified above, payable semiannually on June 1 and December 1 in each year, beginning on June 1, 2013, until the principal amount is paid or payment has been provided for, as described in a resolution adopted by the Board of Directors of the District on November 13, 2012 (the “Resolution”). This is one of an authorized series of bonds issued under the Resolution (the “Bonds”). The Bonds are all issued under and equally and ratably secured by and entitled to the security of the Resolution. To the extent not defined herein, terms used in this Bond shall have the same meanings as set forth in the Resolution. This

Bond bears interest, matures, is payable, is subject to redemption and is transferable as provided in the Resolution.

Reference is made to the Resolution and to all Resolutions supplemental thereto, with respect to the nature and extent of the security for the Bonds, the accounts, funds or revenues pledged, rights, duties and obligations of the District, the Paying Agent, the rights of the Owners of the Bonds, the events of defaults and remedies, the circumstances under which any Bond is no longer Outstanding, the issuance of additional bonds and the terms on which such additional bonds may be issued under and secured by the Resolution, the ability to amend the Resolution, and to all the provisions of which the Owner hereof by the acceptance of this Bond assents.

THE BONDS ARE ISSUED PURSUANT TO AND IN FULL COMPLIANCE WITH THE CONSTITUTION AND LAWS OF THE STATE OF COLORADO, AND PURSUANT TO THE RESOLUTION. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE DISTRICT, SECURED BY THE NET PLEDGED REVENUES. THE BONDS DO 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.

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

This Bond is one of a series of bonds issued pursuant to the Bond Resolution (the "Bond Resolution") designated as the "Colorado City Metropolitan District, Pueblo County, Colorado, Water and Wastewater Enterprise Revenue Refunding and Improvement Bonds, Series 20[]" (the "Bonds") in the aggregate principal amount of \$_____. The Bonds have been duly authorized for the purpose of providing moneys to defray the costs of the Project as defined in the Resolution.

It is also certified, recited, and warranted that the Bonds are issued under the authority of Title 32, Article 1, C.R.S.; Title 31, Article 35, Part 4, C.R.S., Title 37, Article 45.1, C.R.S., the Resolution, and the Supplemental Public Securities Act. It is the intention of the District, as expressed in the Resolution, that pursuant to Section 11-57-210, C.R.S., such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value; and pursuant to Section 31-35-413, C.R.S., such recital shall conclusively impart full compliance with all the provisions of such statute and Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

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

(Manual or Facsimile Signature)
Chairperson of the Board

(FACSIMILE SEAL)

Attest:

(For Facsimile Signature)
District Secretary

(FORM OF CERTIFICATE OF AUTHENTICATION)
CERTIFICATE OF AUTHENTICATION

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

UMB Bank, n.a., as Paying Agent

By _____
Authorized Signatory

Date of Authentication and Registration: _____

(END OF FORM OF CERTIFICATE OF AUTHENTICATION)

(FORM OF ASSIGNMENT)

ASSIGNMENT

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

Dated: _____

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 Authorized Representative of the Depository</u>

(END OF FORM OF PREPAYMENT PANEL)

(END OF FORM OF BOND)

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

I, Roger Lowe, 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 November 13, 2012 (the "Resolution").

2. The Resolution was duly moved and seconded and was adopted at the regular meeting on November 13, 2012, by an affirmative vote of a majority of the members of the Board as follows:

Name	"Yes"	"No"	Absent	Abstain
Jacque Wachob, Chairperson	X			
Roger Lowe, Secretary	X			
Mary K Sanford, Treasurer	X			
Ray Ingraham, Director	X			
Terry Milsom, 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 November 13, 2012, in the form attached hereto as Exhibit A was posted in at least three public places within the limits of the District, and, in addition, such notice was posted in the office of the Pueblo County Clerk and Recorder not less than seventy two hours (72) 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 November 13, 2012.

(SEAL)


Secretary

Exhibit "A" to Secretary's Certificate

(Attach Notice of Meeting)

**COLORADO CITY METROPOLITAN DISTRICT
PUBLIC NOTICE
BOARD OF DIRECTORS REGULAR MEETING**

A regular meeting of the Board of Directors of the Colorado City Metropolitan District will be held Tuesday, November 13, 2012 at 6:00 p.m. at Craver Middle School located at 4850 Crow Cut off, Colorado City, CO 81019.

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

Public Hearing October 9, 2012
Public Hearing October 9, 2012
Regular Meeting October 9, 2012
Public Hearing October 10, 2012
Public Hearing October 30, 2012

6. BILLS PAYABLE
7. READING BY CHAIRPERSON OF THE STATEMENT OF CONDUCT AND DEMEANOR.
8. CITIZENS INPUT.
9. AGENDA ITEMS:

a. Discussion / Approval:

Election of Officers: Vice Chairperson and Assistant Secretary

b. Discussion / Approval:

Resolution 14-2012. A Resolution of the District acting by and through its Water Enterprise and Wastewater Enterprise Authorizing Issuance and Sale of Water and Wastewater Enterprise Revenue Refunding and Improvements Bonds, in such series as is designated in the Sale of Certificate.

c. Discussion / Approval:

Appointment of Ms. Amanda Burnett to the Colorado City Architectural Control Committee

d. Discussion:

Greenhorn Valley Sportsman Club Shooting Range Lease

10. ATTORNEYS REPORT.
11. NEW BUSINESS.
12. OLD BUSINESS.
13. CORRESPONDENCE.
14. EXECUTIVE SESSION NA
15. ADJOURNMENT.

PLEASE NOTE MEETING LOCATION CHANGE

The meeting will be held at Craver Middle School located at 4850 Crow Cut Off., Colorado City, CO. 81019.

Posted November 9, 2012
Board of Directors

COLORADO CITY METROPOLITAN DISTRICT - P.O. Box 20229 -- Colorado City, CO 81019 -- Ph (719) 676-3396
www.coloradocitymetro.us