

Resolution No. RS2013-621

Resolution supplementing Substitute Resolution No. RS2010-1442 to authorize the execution, terms, issuance, sale and payment of water and sewer revenue bonds in an aggregate principal amount of not to exceed \$300,000,000 and authorizing the use of available funds of the Metropolitan Government's Water and Sewer Department to defease all or a portion of the Metropolitan Government's remaining outstanding Water and Sewer Revenue Refunding Bonds, Series 2008B (Taxable).

WHEREAS, pursuant to the Act and the Charter (as such terms are hereafter defined), the Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") owns and operates a water and sewer system (the "System");

WHEREAS, the Metropolitan Government is authorized under the Act and the Charter (as such terms are hereafter defined) to issue its water and sewer revenue bonds for the purposes of retiring its outstanding water and sewer bond anticipation notes and financing capital improvements to the System; and

WHEREAS, the Metropolitan County Council (the "Metropolitan Council") on November 16, 2010 adopted Substitute Resolution No. RS2010-1442 (the "Water and Sewer Bond Resolution"), authorizing the issuance from time to time of water and sewer revenue bonds upon the adoption by the Metropolitan Council of a supplemental resolution, and providing for the terms of such water and sewer revenue bonds and the operation of the System; and

WHEREAS, the Metropolitan Council on November 16, 2010 adopted Substitute Resolution No. RS2010-1443 (the "First Supplemental Resolution"), authorizing the execution, terms, issuance, sale and payment of water and sewer revenue bonds in multiple series; and

WHEREAS, pursuant to the First Supplemental Resolution, the Metropolitan Government issued its Water and Sewer Revenue Refunding Bonds, Series 2010A, Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds – Direct Payment), Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds) and Water and Sewer Revenue Refunding Bonds Federally Taxable, Series 2010D (collectively, the "Series 2010 Bonds"); and

WHEREAS, the Water and Sewer Bond Resolution was further supplemented and amended by Resolution No. RS2011-115 adopted by the Metropolitan Government on December 20, 2011, for the purpose, in part, of amending certain provisions of the Water and Sewer Bond Resolution; and

WHEREAS, the Metropolitan Council hereby finds that it is in the best interest of the citizens of the Metropolitan Government to adopt a third supplemental resolution to the Water and Sewer Bond Resolution for the purpose of issuing bonds on parity with the Series 2010 Bonds to provide funds to:

- (a) retire the Metropolitan Government's outstanding water and sewer commercial paper bond anticipation notes (the "Commercial Paper") which were issued pursuant to Resolution No. RS2009-995, adopted by the Metropolitan Council on October 20, 2009; and
- (b) finance capital improvements to the System (the "Projects"), including all legal, fiscal, architectural, administrative and engineering costs incident thereto; and

WHEREAS, to facilitate the issuance of said water and sewer revenue bonds on parity with the Series 2010 Bonds, the Metropolitan Government shall use available System funds to defease all or a portion of its remaining outstanding Water and Sewer Revenue Refunding Bonds, Series 2008B (Taxable), maturing January 1, 2014 through January 1, 2016 (the "Series 2008 Bonds"); and

WHEREAS, as required by Tennessee Code Annotated Sections 9-21-301 et seq., the Metropolitan Council on October 20, 2009 adopted Resolution No. RS2009-994 (the "First Initial Resolution"), preliminarily authorizing the issuance of up to \$500,000,000 of water and sewer revenue bonds; and

WHEREAS, as required by Tennessee Code Annotated Sections 9-21-301 et seq., the Metropolitan Council on the date hereof adopted Resolution No. RS2013-620 (the "Second Initial Resolution" and, together with the First Initial Resolution, the "Initial Resolutions"), preliminarily authorizing the issuance of up to \$500,000,000 of additional water and sewer revenue bonds; and

WHEREAS, for the purpose of retiring the Commercial Paper, financing all or a portion of the Projects and facilitating the issuance of debt for the foregoing purposes on parity with the Series 2010 Bonds, the Metropolitan Council hereby finds it to be in the best interest of the citizens of the Metropolitan Government to issue its water and sewer revenue bonds pursuant to the terms of the Water and Sewer Bond Resolution and to defease all or a portion of the Series 2008 Bonds; and

NOW THEREFORE, BE IT RESOLVED BY THE METROPOLITAN COUNTY COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (TENNESSEE) AS FOLLOWS:

ARTICLE I.  
AUTHORITY; FINDINGS; DEFINITIONS

Section 1.1. Resolution Supplemental to the Water and Sewer Bond Resolution. This Third Supplemental Resolution is a Supplemental Resolution, as defined in the Water and Sewer Bond Resolution, providing for the issuance of the fifth series of Bonds to be issued thereunder.

Section 1.2. Findings. The Metropolitan Council hereby finds that retiring the Commercial Paper and financing needed capital improvements to the System are advisable at this time because prevailing long-term interest rates are at historic lows. The Metropolitan Council further hereby finds that defeasing the Series 2008 Bonds is advisable to facilitate the issuance of the Series 2013 Bonds on parity with the Series 2010 Bonds and thereby provide for the lowest interest rate possible on the Series 2013 Bonds.

Section 1.3. Definition of Terms. Capitalized terms not otherwise defined herein shall have the meaning ascribed in the Water and Sewer Bond Resolution. The following words and terms as used herein, whether or not the words have initial capitals, shall have the following meanings, unless the context or use indicates another or different meaning or intent, and such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms herein defined:

**Bond Purchase Agreement** means the bond purchase agreement providing for the purchase and sale of the Series 2013 Bonds, by and between the Underwriters and the Metropolitan Government, in substantially the form attached hereto as Exhibit B, with such modifications thereto as shall be necessary to properly describe the Series 2013 Bonds being purchased.

**Commercial Paper** has the meaning ascribed in the preamble.

**Debt Management Policy** means the debt management policy of the Metropolitan Government adopted by resolution of the Metropolitan Council on December 6, 2011, as may hereafter be amended.

**Debt Service Reserve Requirement** means, with respect to the Series 2013 Bonds and any future Bonds which may, by Supplemental Resolution, be treated as an Additionally Secured Series benefitting from the Series 2013 Debt Service Reserve Account, an amount equal to the least of (a) 10% of the stated original principal amount of the Series 2013 Bonds and any such future Bonds; (b) the maximum Debt Service Requirement on the Series 2013 Bonds and any such future Bonds for any Fiscal Year; or (c) 125% of the average Debt Service Requirement for each Fiscal Year on the Series 2013 Bonds and any such future Bonds.

**DTC** means The Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns.

**DTC Participant(s)** means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system.

**Escrow Agent** means Deutsche Bank National Trust Company, Olive Branch, Mississippi, or its successor or successors under the terms of the Escrow Agreement.

**Escrow Agreement** means the Escrow Agreement to be entered into by and between the Metropolitan Government and the Escrow Agent, in the form of the document attached hereto and incorporated herein by this reference as Exhibit C.

**Financial Advisor** means First Southwest Company.

**First Initial Resolution** has the meaning ascribed in the preamble.

**First Supplemental Resolution** has the meaning ascribed in the preamble.

**Initial Resolutions** has the meaning ascribed in the preamble.

**Letter of Representation** means the Blanket Issuer Letter of Representations to DTC of the Metropolitan Government, dated April 27, 1995.

**Official Statement** and **Preliminary Official Statement** mean the Official Statement and Preliminary Official Statement described herein pertaining to the sale of the Series 2013 Bonds.

**Projects** has the meaning ascribed in the preamble.

**Second Initial Resolution** has the meaning ascribed in the preamble.

**Series 2008 Bonds** has the meaning ascribed in the preamble.

**Series 2010 Bonds** has the meaning ascribed in the preamble.

**Series 2013 Bonds** means the series of water and sewer revenue bonds authorized by this Bond Resolution.

**Series 2013 Debt Service Reserve Account** means the account with that name established by Section 2.3 hereof.

**Third Supplemental Resolution** means this resolution, which is the third supplement to the Water and Sewer Bond Resolution.

**Underwriters** means Morgan Stanley & Co. LLC and the other underwriters designated in the Bond Purchase Agreement by the Metropolitan Mayor and the Director of Finance.

**Water and Sewer Bond Resolution** has the meaning ascribed in the preamble.

## ARTICLE II.

### AUTHORITY, PLEDGE OF TRUST ESTATE, ADDITIONALLY SECURED OBLIGATIONS

Section 2.1. **Authority.** For the purposes of (i) retiring the Commercial Paper at maturity; (ii) funding the costs of the Projects; (iii) funding, if applicable, all or a portion of the Debt Service Reserve Requirement attributable to the Series 2013 Bonds, as contemplated by Section 2.3 hereof; and (iv) paying costs incident to the sale and issuance of the Series 2013 Bonds, there shall be issued pursuant to, and in accordance with, the provisions of Tennessee Code Annotated Sections 9-21-101 et seq., the Charter (as hereafter defined), the Initial Resolutions, the Water and Sewer Bond Resolution and other applicable provisions of law, water and sewer revenue bonds of the Metropolitan Government in one or more series in an aggregate principal amount of not to exceed \$300,000,000.

Section 2.2. **Pledge of Trust Estate.** The Series 2013 Bonds shall be payable from and secured by the Trust Estate, as set forth in the Water and Sewer Bond Resolution.

Section 2.3. **Additionally Secured Obligations.** The Series 2013 Bonds shall be an Additionally Secured Series and beneficiaries of the Series 2010 Debt Service Reserve Account on an equal basis with the Series 2010 Bonds. Upon the issuance of the Series 2013 Bonds, the Metropolitan Government shall fund the Series 2010 Debt Service Reserve Account in an amount equal to the increase in the Debt Service Reserve Requirement attributable to the issuance of the Series 2013 Bonds. Unless the Metropolitan Government proceeds as contemplated by the balance of this Section 2.3, the Series 2010 Debt Service Reserve Account shall, upon the issuance of the Series 2013 Bonds, be thereafter described as the "Series 2010/2013 Debt Service Reserve Account".

Notwithstanding the foregoing, if it is determined by the Metropolitan Mayor and/or Director of Finance to be in the best interests of the Metropolitan Government, the Series 2013 Bonds may be designated as an Additionally Secured Series separate and apart from the Series 2010 Bonds and the Series 2010 Debt Service Reserve Account. In that case, there shall be established for the Series 2013 Bonds a Debt Service Reserve Account within the Debt Service Reserve Fund. Such Account shall be called the "Series 2013 Debt Service Reserve Account" and shall be held and maintained for the benefit of the Holders of the Series 2013 Bonds. The Metropolitan Mayor shall establish and set forth in the Bond Purchase Agreement the terms by which the Series 2013 Debt Service Reserve Account will be funded and maintained, including without limitation:

(a) establishing the Debt Service Reserve Requirement for the Series 2013 Debt Service Reserve Account, which shall, with respect to the Series 2013 Bonds and any future Bonds which may by Supplemental Resolution be treated as an Additionally Secured Series benefitting from the Series 2013 Debt Service Reserve Account, be not greater than an amount equal to the least of (a) 10% of the stated original principal amount of the Series 2013 Bonds and any such future Bonds; (b) the maximum Debt Service Requirement on the Series 2013 Bonds and any such future Bonds for any Fiscal Year; or (c) 125% of the average Debt Service Requirement for each Fiscal Year on the Series 2013 Bonds and any such future Bonds.

(b) establishing the period during which the Debt Service Reserve Requirement must be initially funded, which may be immediately upon the issuance of the Series 2013 Bonds or over a defined period of time following the issuance of the Series 2013 Bonds.

(c) establishing the period during which any withdrawals from the Series 2013 Debt Service Reserve Account must be replenished, which period shall be not less than 24 months from the date of withdrawal.

(d) establishing the terms upon which future series of Bonds may become beneficiaries of the Series 2013 Debt Service Reserve Account.

ARTICLE III.  
FORM AND TERMS OF SERIES 2013 BONDS

Section 3.1. Authorized Bonds. The aggregate principal amount of Series 2013 Bonds that may be issued under this Third Supplemental Resolution shall not exceed \$300,000,000.

Section 3.2. Form of Bonds. The Series 2013 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. The Series 2013 Bonds shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate variations, omissions, and insertions as are permitted or required by this Supplemental Resolution, the blanks therein to be appropriately completed when the Series 2013 Bonds are prepared, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto or as otherwise desired by the Metropolitan Government.

Section 3.3. Maturities, Interest Rates, Book-Entry Bond.

(a) The Series 2013 Bonds shall be designated "Water and Sewer Revenue Bonds, Series 2013" and shall be dated the Date of Issuance. The Series 2013 Bonds shall bear interest from the date thereof at fixed rates not exceeding 7.25% or the maximum interest rate permitted by applicable law, such interest being payable semi-annually on the first day of January and July of each year, commencing on July 1, 2013. The Series 2013 Bonds shall mature, subject to prior redemption as hereinafter provided, either serially or through mandatory redemption, commencing on July 1, 2022 through July 1, 2043, in such amounts as shall be provided in the Bond Purchase Agreement. The foregoing terms are subject to adjustment as described in Section 6.1.

(b) The Series 2013 Bonds will be Book Entry Bonds, registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Transfers of beneficial ownership will be effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC. Payments of principal, interest, and redemption premium, if any, with respect to the Series 2013 Bonds, so long as DTC is the only owner of the Series 2013 Bonds, shall be paid by the Paying Agent directly to DTC or its nominee, Cede & Co., as provided in the Letter of Representation.

(c) The Paying Agent appointed herein is hereby authorized to take such actions as may be necessary from time to time to qualify and maintain the Series 2013 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2013 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2013 Bonds and provision of notices with respect to Series 2013 Bonds registered by DTC (or any of its designees identified to the Paying Agent) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with DTC may adversely affect the

interest of any of the owners of the Series 2013 Bonds, provided, however, that the Paying Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

ARTICLE IV.  
REDEMPTION OF BONDS PRIOR TO MATURITY

Section 4.1. Redemption Dates and Prices.

(a) Subject to the adjustments permitted pursuant to Section 6.1 hereof, the Series 2013 Bonds may be subject to redemption prior to maturity at the option of the Metropolitan Government on July 1, 2023 and thereafter, as a whole or in part at any time at the redemption price of par plus accrued interest to the redemption date.

(b) If less than all the Series 2013 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Metropolitan Council in its discretion. If less than all of the Series 2013 Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Series 2013 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2013 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Series 2013 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2013 Bonds within the maturity to be redeemed shall be selected by the Paying Agent by lot or such other random manner as the Paying Agent in its discretion shall determine.

(c) Pursuant to Section 6.1 hereof, the Metropolitan Mayor and Director of Finance, or either of them, are authorized to sell the Series 2013 Bonds, or any maturities thereof, as term bonds ("Term Bonds") with mandatory redemption requirements corresponding to the maturities established pursuant to the terms hereof. In the event any or all the Series 2013 Bonds are sold as Term Bonds, the Metropolitan Government shall redeem Term Bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the amounts provided in the Bond Purchase Agreement for each redemption date at a price of par plus accrued interest thereon to the date of redemption. The interest of each DTC Participant in the Term Bonds to be so redeemed shall be selected by DTC, or such person as shall then be serving as Depository for the Series 2013 Bonds, using its procedures generally in use at that time. If DTC, or another Depository is no longer serving as securities depository for the Series 2013 Bonds, the Term Bonds to be so redeemed shall be selected by the Paying Agent by lot or such other random manner as the Paying Agent in its discretion shall select.

(d) At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Metropolitan Government may (i) deliver to the Paying Agent for cancellation Series 2013 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under the mandatory redemption provisions set forth in (c) above for any Series 2013 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Paying Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Paying Agent at 100% of the principal amount thereof on the obligation of the Metropolitan Government on such payment date and any excess shall be credited on

future redemption obligations in chronological order, and the principal amount of Series 2013 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Metropolitan Government shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Paying Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Section 4.2. Notice of Redemption. Notice of call for redemption, whether optional or mandatory, shall be given by the Paying Agent on behalf of the Metropolitan Government not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2013 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Series 2013 Bond registration records of the Paying Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Series 2013 Bonds for which proper notice was given. If at the time of the giving of the notice of optional or mandatory redemption there shall not be on deposit with the Paying Agent moneys sufficient to redeem all the Series 2013 Bonds of a series called for redemption, the notice of redemption shall state that the redemption of such Series 2013 Bonds of such series is conditional upon and subject to deposit of moneys with the Paying Agent sufficient to redeem all such Series 2013 Bonds not later than the opening of business on the redemption date and that such notice shall be of no effect if such moneys are not on deposit. The Paying Agent shall mail said notices, in the case of mandatory redemption of Term Bonds, as and when provided herein and in the Series 2013 Bonds, and, in the case of optional redemption, as and when directed by the Metropolitan Government pursuant to written instructions from an Authorized Officer of the Metropolitan Government given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Paying Agent).

Section 4.3. Payment of Redeemed Bonds.

(a) If notice of redemption shall have been given in the manner and under the conditions provided in Section 4.2 hereof and if on the date so designated for redemption the Paying Agent shall hold sufficient monies to pay the redemption price of, and interest to the redemption date on, the Series 2013 Bonds to be redeemed as provided in this Third Supplemental Resolution, then: (1) the Series 2013 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2013 Bonds on such date; (2) interest on the Series 2013 Bonds so called for redemption shall cease to accrue; and, (3) such Series 2013 Bonds shall no longer be Outstanding or secured by, or be entitled to, the benefits of this Third Supplemental Resolution, except to receive payment of the redemption price thereof and interest thereon from monies then held by the Paying Agent.

(b) If on the redemption date, monies for the redemption of all Series 2013 Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall not be held by the Paying Agent so as to be available therefor on such date, the Series 2013 Bonds or portions thereof so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of this Third Supplemental Resolution.

ARTICLE V.  
PAYING AGENT AND BOND REGISTRAR

The Metropolitan Government hereby appoints Deutsche Bank National Trust Company, Olive Branch, Mississippi, to serve as the Paying Agent and Bond Registrar for the Series 2013 Bonds, and

authorizes and directs the Paying Agent to maintain registration records with respect to the Series 2013 Bonds, to authenticate and deliver the Series 2013 Bonds at original issuance, upon transfer, or as otherwise directed by the Metropolitan Government, to effect transfers of the Series 2013 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series 2013 Bonds as provided herein, to cancel and destroy Series 2013 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish the Metropolitan Government at least annually a certificate of destruction with respect to Series 2013 Bonds canceled and destroyed, and to furnish the Metropolitan Government at least annually an audit confirmation of Series 2013 Bonds paid, Series 2013 Bonds Outstanding and payments made with respect to interest on the Series 2013 Bonds. The Metropolitan Mayor, the Director of Finance, the Metropolitan Treasurer, or any of them, is hereby authorized to execute and the Metropolitan Clerk is hereby authorized to attest such written agreement between the Metropolitan Government and the Paying Agent as they shall deem necessary or proper with respect to the obligations, duties and rights of the Paying Agent and Bond Registrar. The payment of all reasonable fees and expenses of the Paying Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed. The Metropolitan Mayor, the Director of Finance, the Metropolitan Mayor, or any of them, is hereby authorized to enter into agreements with the Paying Agent for the performance of these duties on terms consistent with this Supplemental Resolution.

ARTICLE VI.  
SALE OF BONDS AND APPLICATION OF PROCEEDS

Section 6.1. Sale of Series 2013 Bonds.

(a) The Series 2013 Bonds shall be sold at a negotiated sale by the Metropolitan Mayor, as permitted by law, in one or more series, at a price of not less than 98% of par, without regard to any original issue discount, as a whole or in part from time to time as shall be determined by the Director of Finance, in consultation with the Financial Advisor. The Metropolitan Mayor is authorized to execute and Metropolitan Clerk to attest the Bond Purchase Agreement with the Underwriters, providing the details of the terms of sale. The sale of the Series 2013 Bonds to the Underwriters shall be binding on the Metropolitan Government, and no further action of the Metropolitan Council with respect thereto shall be required.

(b) The Metropolitan Mayor and the Director of Finance are authorized to cause the Series 2013 Bonds to be sold in an aggregate principal amount less than that provided in Section 3.1 hereof.

(c) The Metropolitan Mayor and Director of Finance, or either of them, are further authorized with respect to the Series 2013 Bonds to:

- (1) change the dated date to a date other than the Date of Issuance;
- (2) change the series designation;
- (3) change the first interest payment date to a date other than July 1, 2013, provided that such date is not later than twelve months from the Date of Issuance;
- (4) establish the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series 2013 Bonds, provided that (A) the total principal amount of the Series 2013 Bonds does not exceed the total amount of Series 2013 Bonds authorized herein, (B) the final maturity date shall be not later than that provided in Section 3.3 of this Supplemental Resolution and (C) the weighted average maturity of the Series 2013 Bonds

does not exceed the expected weighted average life of the Projects and the projects financed by the Commercial Paper;

(5) adjust or remove the optional redemption provisions for the Series 2013 Bonds;  
and

(6) sell the Series 2013 Bonds, or any maturities thereof, as Term Bonds with mandatory redemption requirements as determined by the Metropolitan Mayor or Director of Finance to be most advantageous to the Metropolitan Government.

(d) The form of the Series 2013 Bonds set forth in Exhibit A hereto shall be conformed to reflect any changes made pursuant to this Section 6.1 hereof.

(e) The Metropolitan Mayor and the Metropolitan Clerk are authorized to cause the Series 2013 Bonds to be authenticated and delivered by the Paying Agent to the original purchaser of the Series 2013 Bonds and the Metropolitan Mayor, the Director of Finance, the Metropolitan Clerk and Director of Law are authorized to execute, publish, and deliver all certificates and documents, including the Official Statement, and closing certificates and documents, as they shall deem necessary in connection with the sale and delivery of the Series 2013 Bonds.

Section 6.2. Official Statement. The Metropolitan Mayor and Director of Finance, working with the Financial Advisor, are hereby authorized and directed to provide for the preparation and distribution, which may include electronic distribution, of a Preliminary Official Statement describing the Series 2013 Bonds in the form of the Preliminary Official Statement attached hereto as Exhibit D and by this reference made a part hereof (the "Preliminary Official Statement"), with such completions, omissions, insertions and changes as shall be necessary to cause the Preliminary Official Statement to accurately describe the Series 2013 Bonds and the financial condition of the Metropolitan Government. After the Series 2013 Bonds have been sold, the Metropolitan Mayor and Director of Finance, or either of them, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent herewith as are necessary or desirable to complete it as a final Official Statement for the Series 2013 Bonds for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The Metropolitan Mayor and Director of Finance shall arrange for the delivery to the Underwriters of a reasonable number of copies of the Official Statement within seven business days after the Series 2013 Bonds have been sold.

The Metropolitan Mayor and Director of Finance are authorized, on behalf of the Metropolitan Government, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by the Metropolitan Government except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 6.3. Disposition of Bond Proceeds. The proceeds of the sale of the Series 2013 Bonds shall be disbursed as follows:

(a) An amount which will be sufficient to retire the Commercial Paper at maturity shall be deposited to the Commercial Paper Fund established by the Issuing and Paying Agency Agreement, dated as of November 1, 2009, between the Metropolitan Government and Deutsche Bank

Trust Company Americas (the "Issuing and Paying Agent"), and invested by the Issuing and Paying Agent as directed by the Director of Finance until needed to retire the Commercial Paper. Any amounts remaining with the Issuing and Paying Agent after the retirement of the Commercial Paper shall be transferred to the Debt Service Fund and applied to the payment of interest on the Series 2013 Bonds.

(b) An amount sufficient to fund any Debt Service Reserve Requirement attributable to the Series 2013 Bonds, as contemplated by Section 2.3 hereof, will be deposited to the applicable account of the Debt Service Reserve Fund.

(c) The balance of the proceeds of the Series 2013 Bonds shall be deposited to the Construction Fund, to be deposited to a Project Account which is hereby established and designated as the "Series 2013 Project Account". An Authorized Finance Officer is hereby authorized to establish subaccounts within the Series 2013 Project Account as needed to segregate the proceeds of each Series of Series 2013 Bonds. Amounts on deposit in the Series 2013 Project Account shall be expended on Costs of the Projects, including without limitation the costs of issuing the Series 2013 Bonds.

Section 6.4. Tax Matters. The Metropolitan Government recognizes that the purchasers and owners of the Series 2013 Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon is excludable from gross income for purposes of federal income taxation under laws in force on the date of delivery of the Series 2013 Bonds. As such, the Metropolitan Government agrees that it shall take no action which may cause the interest on any of said Series 2013 Bonds to be included in gross income for purposes of federal income taxation. It is the reasonable expectation of the Metropolitan Council that the proceeds of the Series 2013 Bonds will not be used in a manner which will cause the Series 2013 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series 2013 Bonds and other related funds established for the purposes herein set out shall be used and spent expeditiously for the purposes described herein. The Metropolitan Government further covenants and represents that in the event it shall be required by Section 148(f) of the Code to pay any investment proceeds of the Series 2013 Bonds to the United States government, it will make such payments as and when required by said Section 148(f) and will take such other actions as shall be necessary or permitted to prevent the interest on the Series 2013 Bonds from being included in gross income for federal income tax purposes. The Metropolitan Mayor and the Director of Finance, or either of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Series 2013 Bonds as either or both shall deem appropriate, and such certifications shall constitute a representation and certification of the Metropolitan Government.

Section 6.5. Application of Certain Investment Earnings. The investment earnings on amounts on deposit in the Series 2013 Debt Service Reserve Account shall, during the period of construction of the Projects, be paid to the Series 2013 Project Account of the Construction Fund. Thereafter, such investment earnings shall be applied as prescribed by the Water and Sewer Bond Resolution.

## ARTICLE VII.

### DEFEASANCE OF SERIES 2008 BONDS AND ESCROW AGREEMENT

Section 7.1. Defeasance of Series 2008 Bonds and Disposition of Funds. To facilitate the issuance of the Series 2013 Bonds on parity with the Series 2010 Bonds, the Metropolitan Government is hereby authorized to defease all or a portion of the Series 2008 Bonds pursuant to the terms of the Prior Resolution. The Metropolitan Government shall defease the Series 2008 Bonds using available funds of the System. The Metropolitan Government shall transfer System funds to the Escrow Agent under the Escrow Agreement in an amount which, together with any investment earnings thereon, will be sufficient to pay principal of and interest on the Series 2008 Bonds selected for defeasance to their maturity dates.

Such amount shall be deposited to the escrow fund established under the Escrow Agreement to be held and applied as provided therein.

Section 7.2. Authorization of Escrow Agreement. For the purpose of providing for the payment of the principal of and interest on the Series 2008 Bonds, there is hereby authorized to be executed and delivered on behalf of the Metropolitan Government an Escrow Agreement with the Escrow Agent and to be deposited with the Escrow Agent the amount described in Section 7.1 above to be used by the Escrow Agent to purchase the investments provided therein. The form of Escrow Agreement attached hereto as Exhibit C is hereby in all respects approved, and the Metropolitan Mayor is hereby authorized to execute and the Metropolitan Clerk to attest the Escrow Agreement on behalf of the Metropolitan Government in substantially the form thereof, with such changes as may be approved by the Metropolitan Mayor, including the inclusion of directions as to investment and reinvestment of funds or directions to enter into such investment contracts as shall be advantageous to the Metropolitan Government, the execution thereof by either of them to constitute conclusive evidence of the approval of all such changes; provided the Escrow Agreement shall be approved as to form and legality by the Director of Law. The Escrow Agent is hereby authorized and directed to hold and administer all funds deposited in trust for the payment when due of principal of and interest on the Series 2008 Bonds selected for defeasance and to exercise such duties as set forth in the Escrow Agreement.

#### ARTICLE VIII. MISCELLANEOUS

Section 8.1. Miscellaneous Acts. The appropriate officers of the Metropolitan Government are hereby authorized, empowered, and directed to do any and all such acts and things, and to execute, acknowledge, deliver, and, if applicable file or record, or cause to be filed or recorded, in any appropriate public offices, all such documents, notices, instruments, and certifications, in addition to those acts, things, documents, instruments, and certifications hereinbefore authorized and approved, as may, in their discretion, be necessary or desirable to implement or comply with the intent of this Supplemental Resolution, or any of the documents herein authorized and approved, or for the authorization, issuance, and delivery by the Metropolitan Government of the Series 2013 Bonds.

Section 8.2. No Recourse Under Resolution or on Series 2013 Bonds. All stipulations, promises, agreements, and obligations of the Metropolitan Government contained in the Initial Resolutions, the Water and Sewer Bond Resolution or this Third Supplemental Resolution shall be deemed to be the stipulations, promises, agreements, and obligations of the Metropolitan Government and not of any officer, director, or employee of the Metropolitan Government in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Series 2013 Bonds or for any claim based thereon or on the Initial Resolutions, the Water and Sewer Bond Resolution or this Third Supplemental Resolution against any officer, director, or employee of the Metropolitan Government or against any official or individual executing the Series 2013 Bonds.

Section 8.3. Partial Invalidity. If any one or more of the provisions of this Third Supplemental Resolution, or of any exhibit or attachment thereto, shall be held invalid, illegal, or unenforceable in any respect, by final decree of any court of lawful jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, or of any exhibit or attachment thereto, but this Third Supplemental Resolution, and the exhibits and attachments thereto, shall be construed the same as if such invalid, illegal, or unenforceable provision had never been contained herein, or therein, as the case may be.

Section 8.4. Continuing Disclosure. The Metropolitan Government hereby covenants and agrees that it will provide financial information and event notices as required by Rule 15c2-12 of the

Securities Exchange Commission for the Series 2013 Bonds. The Metropolitan Mayor is authorized to execute at the Closing of the sale of the Series 2013 Bonds, an agreement for the benefit of and enforceable by the owners of the Series 2013 Bonds specifying the details of the financial information and event notices to be provided and its obligations relating thereto. Failure of the Metropolitan Government to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Series 2013 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the Metropolitan Government to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

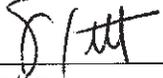
Section 8.5. Debt Management Policy. In conformance with the directive of the State Funding Board of the State of Tennessee, the Metropolitan Government has heretofore adopted its Debt Management Policy. The Metropolitan Council hereby finds that the issuance and sale of the Series 2013 Bonds, as proposed herein, is consistent with the Metropolitan Government's Debt Management Policy. Specifically, the Metropolitan Council hereby approves the deferral of principal because (i) such deferral will result in a more level overall debt service structure and avoid unnecessary rate increases to System customers and (ii) the term of the Bonds, even with a deferred principal structure, will be less than the average "reasonably expected economic life", within the meaning of Sections 9-21-101 et seq., Tennessee Code Annotated, of the public works projects financed or refinanced by the Series 2013 Bonds. The Metropolitan Council further finds that a negotiated sale of the Series 2013 Bonds is in the best interest of the Metropolitan Government because of the flexibility it affords in a fluctuating market environment.

Section 8.6. Conflicting Resolutions Repealed. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

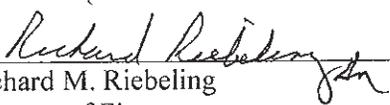
Section 8.7. Effective Date. This Supplemental Resolution shall take effect from and after its adoption, the welfare of the Metropolitan Government requiring it.

[signature page follows]

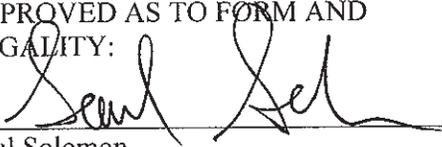
RECOMMENDED BY:

  
\_\_\_\_\_  
Scott Potter  
Director of Water and Sewerage Services

APPROVED AS TO AVAILABILITY OF FUNDS BY:

  
\_\_\_\_\_  
Richard M. Riebeling  
Director of Finance

APPROVED AS TO FORM AND LEGALITY:

  
\_\_\_\_\_  
Saul Solomon  
Director of Law

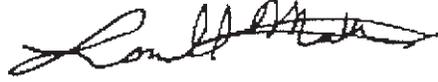
INTRODUCED BY:

\_\_\_\_\_  
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\_\_\_\_\_  
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MEMBERS OF COUNCIL

Electronic Signature Page

(Attach to Legislation Pursuant to Rule 8 of the Council Rules of Procedure)

A handwritten signature in black ink, appearing to read "Lonell Matthews". The signature is stylized with a large initial "L" and a long horizontal stroke at the end.

Lonell Matthews  
Councilmember, District 1