

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

[Date], 2022

The Metropolitan Government of Nashville and Davidson County
1600 Second Ave N
Nashville, TN 37221

RE: WIFIA Term Sheet for the Metropolitan Government of Nashville and Davidson County
Process Advancements at Omohundro and K.R. Harrington Water Treatment Plants
Project (WIFIA ID - N20115TN)

Ladies and Gentlemen:

This WIFIA Term Sheet (this “**Term Sheet**”) constitutes (a) the approval of the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (hereinafter, the “**USEPA**”), of the application for credit assistance of the Borrower (as defined below) received November 24, 2021 (the “**Application**”) and (b) the agreement of USEPA to provide financing for the above-referenced project (as further described below, the “**Project**”) in the form of a secured loan (the “**WIFIA Loan**”), pursuant to the Water Infrastructure Finance and Innovation Act (“**WIFIA**”), § 5021 *et seq.* of Public Law 113-121 (as amended, and as may be further amended from time to time, the “**Act**”), codified as 33 U.S.C. §§ 3901-3914, subject in all respects to (i) the terms and conditions contained herein and (ii) the execution and delivery of the WIFIA loan agreement to be entered into on or after the date hereof (the “**WIFIA Loan Agreement**”) on the terms and conditions acceptable to the USEPA contained therein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the WIFIA Loan Agreement.

By executing this Term Sheet, the Borrower confirms its agreement to reimburse USEPA for any and all fees and expenses that USEPA incurs for legal counsel, financial advice, and other consultants in connection with the evaluation of the Project and the negotiation and preparation of the WIFIA Loan Agreement and related documents, whether or not such agreement is ultimately executed.

This Term Sheet shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable, and the internal laws of the State of Tennessee, if and to the extent such federal laws are not applicable. This Term Sheet, and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Electronic delivery of an executed counterpart of a signature page shall be effective as delivery of an original executed counterpart.

[N0486758.1]

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INDICATIVE TERMS OF THE WIFIA LOAN

WIFIA LENDER	United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “ WIFIA Lender ”).
BORROWER	The Metropolitan Government of Nashville and Davidson County, a Tennessee local governmental entity organized and existing under the laws of the State of Tennessee (the “ Borrower ”).
PROJECT	The project consists of the Process Advancements at Omohundro and K.R. Harrington Water Treatment Plants Project, various improvements to upgrade and replace equipment at the existing, active water treatment plant sites, including a new raw water pump station, new post-filtration facilities at both sites, clearwell storage improvements and replacement, filter underdrain improvements and flood risk mitigation upgrades, located in Davidson County of Nashville, Tennessee (the “ Project ”).
WIFIA LOAN AMOUNT	A maximum principal amount (sum of disbursements and excluding capitalized interest) not to exceed \$315,000,000; provided that (a) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act, shall not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs, and (b) the total federal assistance for the Project, including but not limited to the maximum principal amount of the WIFIA Loan and all federal grants, shall not exceed eighty percent (80%) of Total Project Costs.
INTEREST RATE	<p>The WIFIA Loan shall bear interest at a fixed rate, calculated by adding one basis point (0.01%) to the rate of securities of a similar maturity (based on the weighted-average life of the WIFIA Loan) as published, on the execution date of the WIFIA Loan Agreement, in the United States Treasury Bureau of Public Debt’s daily rate table for State and Local Government Series (SLGS) securities.</p> <p>The WIFIA Loan shall also bear default interest at a rate of 200 basis points above the otherwise applicable interest rate, at such times and upon such terms as provided in the WIFIA Loan Agreement.</p>

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PAYMENT DATES	<p>Principal and interest on the WIFIA Loan shall be repaid in accordance with the terms set forth in the WIFIA Loan Agreement.</p> <p>The debt service payment commencement date of the WIFIA Loan shall in no event be later than five (5) years after the Substantial Completion Date of the Project.</p>
FINAL MATURITY DATE	<p>The earliest of (a) July 1, 2058; (b) the date on which the maturity of the WIFIA Loan has been accelerated or subject to mandatory redemption or prepayment (as the case may be) (if applicable); and (c) the Principal Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date, which is projected to be August 1, 2028.</p>
DEDICATED SOURCE OF REPAYMENT	<p>The dedicated source of repayment for the WIFIA Loan shall be the Revenues of the System. “Revenues” means (a) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding any customer deposits or other deposits subject to refund, unless such deposits have become property of the Borrower, (b) the proceeds of any insurance covering business interruption loss relating to the System and (c) interest received or to be received on any moneys or securities held in any of the funds or accounts established by the Prior Resolution or the Bond Resolution, with the exception of (i) moneys held in the Construction Fund or any account thereof and (ii) moneys held in the Debt Service Reserve Fund during any period in which the investment earnings thereon are directed by Supplemental Resolution to the Construction Fund or an account thereof. The computation of Revenues with respect to any period of time hereunder shall be increased by the amount of transfers during such period from the Rate Stabilization Fund to the Revenue Fund pursuant to Section 509(a) of the Bond Resolution, and decreased by the amount of any transfers during such period from the Revenue Fund to the Rate Stabilization Fund pursuant to Section 506(e) of the Bond Resolution. “Revenues” shall not include any Tax Credit Payments, grant proceeds or, except as set forth in (b) above, insurance proceeds.</p>

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	<p>“System” means each and every part of the water system and sewer system of the Borrower that shall be owned and operated by the Borrower for water supply, transmission, treatment and distribution and for sewage collection, transmission, treatment and disposal or distribution now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed, including any interest or participation of the Borrower in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way and all other works, property or structures and contract rights and other tangible and intangible assets now or hereafter owned or used in connection with or related to said System. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interests in properties of the Borrower (a) which the Borrower determines shall not constitute a part of the System for the purpose of the Resolution at the time of the acquisition thereof by the Borrower or (b) as to which there shall be tiled with the records of the Borrower a certificate of a Consultant stating, in its opinion, that the exclusion of such properties or interests in properties from the System will not materially impair the ability of the Borrower to comply during the current or any future Fiscal Year with the provisions of Section 711 of the Bond Resolution.</p>
<p>SECURITY AND LIEN PRIORITY</p>	<p>The WIFIA Loan shall be secured by a senior lien on the Pledged Collateral, including a senior lien on the Trust Estate on a parity basis with the Bonds and senior to all Subordinated Indebtedness.</p> <p>“Pledged Collateral” means the Trust Estate and the account (the “WIFIA Debt Service Reserve Account”) established within the Debt Service Reserve Fund for the benefit of the WIFIA Loan.</p> <p>“Trust Estate” means the Revenues and amounts on deposit in all Funds and Accounts established by the Bond Resolution (other than the Debt Service Reserve Fund and the Tax Credit Payment Account within the Debt Service Fund).</p>

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RATE COVENANT	<p>The Borrower shall comply with all requirements and conditions specified in the Rate Covenant set forth in Section 711 of the Bond Resolution, which as of the Effective Date is set forth in part below and is set forth in full in the WIFIA Loan Agreement.</p> <p>As set forth in further detail in the WIFIA Loan Agreement, the Borrower shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to produce Net Revenues in each Fiscal Year at least equal to the greater of:</p> <ul style="list-style-type: none"> (i) 120% of the sum of the Debt Service Requirement on the Prior Bonds and the Outstanding Bonds in such Fiscal Year; or (ii) 100% of the sum of: <ul style="list-style-type: none"> (A) the Debt Service Requirement on the Prior Bonds, the Outstanding Bonds and Subordinated Indebtedness in such Fiscal Year, (B) the amounts required to be paid during such Fiscal Year into the Debt Service Reserve Fund and the Operating Reserve Fund established by the Prior Resolution and to the Debt Service Reserve Fund pursuant to the Resolution, and (C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, including payments in lieu of taxes and any payments required during such Fiscal Year under Contracts to the extent not otherwise provided for subsection (ii) of Section 711 (Rates, Fees and Charges) of the Resolution. <p>“Net Revenues” means, for any period, the Revenues during such period, minus the Operation and Maintenance Expenses during such period.</p>
ADDITIONAL INDEBTEDNESS	<p>The Borrower shall not issue or incur any Additional Bonds except in accordance with all requirements and conditions set forth in the Additional Bonds Test set forth in Article II of the Bond Resolution, which as of the Effective Date is</p>

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described in part below and is set forth in full in the WIFIA Loan Agreement.

As set forth in further detail in the WIFIA Loan Agreement, the Borrower shall not issue or incur any Additional Bonds unless the conditions described below and in Section 15(a) of the WIFIA Loan Agreement are satisfied, including execution by an Authorized Finance Officer of a certificate (A) setting forth the amounts of Net Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of the Bonds of the Series with respect to which such certificate is being given; and (B) stating that the Net Revenues for such 12 month period were at least equal to 120% of the maximum Debt Service Requirement on the Prior Bonds and the Bonds in any future Fiscal Year (calculated with respect to the Bonds of all Series then Outstanding, the Prior Bonds then outstanding and the Bonds of the Series with respect to which such certificate is given); provided, however, that the Net Revenues for such twelve (12) month period may be adjusted for the purposes of such certificate (X) to reflect for such period revisions in the rates, fees, rentals and other charges of the Borrower for the product and services of the System made after the commencement of such period and preceding the date of issuance of the Bonds of the Series with respect to which such certificate is given; (Y) to reflect any increase in Net Revenues due to any new facilities of the System having been placed into use and operation subsequent to the commencement of such period and prior to the Date of Issuance of such Bonds, as certified by a Consultant; and (Z) to include an amount equal to the average annual contribution to Net Revenues for the first three full Fiscal Years commencing after the date of acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the Date of Issuance of such Bonds, as certified by a Consultant.

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No obligations payable from the Trust Estate or any portion thereof, other than Subordinated Indebtedness, shall be issued or incurred by the Metropolitan Government, except as set forth in Article II of the Bond Resolution, including without limitation any obligations issued under the Prior Resolution.

Additionally, the Borrower may not create, incur or suffer to exist (A) any Obligations (1) the payments with respect to which are senior or prior in right of payment by the Borrower of the WIFIA Loan or (2) secured by a Lien on the Pledged Collateral that is senior to the Lien on the Pledged Collateral in favor of the WIFIA Lender or (3) all or a portion of the proceeds of which are or will be applied at any time to fund all or any portion of Total Project Costs, that are secured by a Lien on any assets or property of the Borrower other than the Pledged Collateral.

The Borrower shall not issue or incur any Additional Subordinated Indebtedness except for Additional Subordinated Indebtedness which (A) is secured by a pledge of Revenues which is fully subordinated in all respects to the pledge of Revenues (as part of the Trust Estate) in favor of the Bonds, (B) has a right of payment and is payable in the Flow of Funds on a basis subordinate to the priority of payment of the Bonds; and (C) does not have a right to accelerate without the consent of all of the Bondholders of the Bonds, provided, however, that this clause (C) is not intended to and shall not prohibit, or in any way limit, the Borrower's ability to enter into credit facility agreements with the right to accelerate in connection with either of the Commercial Paper Programs or any successor programs thereto.

“Subordinated Indebtedness” means any bonds, notes, loan agreements or other evidences of indebtedness issued from time to time and payable from and, if applicable, secured by the Revenues of the System on a basis subordinate to the pledge of Revenues (as part of the Trust Estate) in favor of the Bonds, including, without limitation, the Commercial Paper Programs.

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<p>RESTRICTED PAYMENTS AND TRANSFERS</p>	<p>The Borrower shall not permit Revenues or other assets of the System, or any funds in any accounts held under the Resolution or in any other fund or account held by or on behalf of the Borrower, to be paid or transferred or otherwise applied for purposes other than as permitted by Tennessee Code Annotated Section 7-34-115.</p>
<p>DEBT SERVICE RESERVE FUND</p>	<p>As set forth in the WIFIA Loan Agreement, the WIFIA Loan shall be additionally secured by the WIFIA Debt Service Reserve Account established within the Debt Service Reserve Fund.</p> <p>“Debt Service Reserve Requirement” means, with respect to the WIFIA Bond, an amount equal to the least of (a) 10% of the then-Outstanding principal amount of the WIFIA Bond; (b) the maximum Debt Service Requirement on the WIFIA Bond for any Borrower Fiscal Year; or (c) 125% of the average Debt Service Requirement for each Borrower Fiscal Year on the WIFIA Bond.</p> <p>Until the final disbursement of proceeds of the WIFIA Loan and the establishment of the final repayment schedule for the WIFIA Bond, the Metropolitan Government shall treat each disbursement of proceeds of the WIFIA Loan and the resulting repayment schedule for the WIFIA Bond in the manner set forth in greater detail in the WIFIA Loan Agreement for purposes of calculating the Debt Service Reserve Requirement.</p> <p>For purposes of calculating the Debt Service Reserve Requirement, the Debt Service Requirement shall be calculated using the WIFIA Interest Rate.</p>
<p>WIFIA LOAN DOCUMENTATION</p>	<p>The WIFIA Loan shall be subject to the preparation, execution and delivery of the WIFIA Loan Agreement, the WIFIA Bond and any other loan documentation required by the WIFIA Lender in connection therewith, in each case acceptable to the WIFIA Lender and the Borrower, which will contain certain conditions precedent, representations and warranties, affirmative and negative covenants, events of default, and other provisions as agreed between the WIFIA Lender and the Borrower.</p>

[Signature pages follow]

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If the foregoing terms are acceptable, please countersign this letter in the space indicated below.

Sincerely,

**UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY**, acting by and
through the Administrator of the United States
Environmental Protection Agency

By: _____
Name: Michael S. Regan
Title: Administrator

*[Signature page to the Metropolitan Government of Nashville and Davidson County Process Advancements at
Omohundro and K.R. Harrington Water Treatment Plants Project – WIFIA Term Sheet]*

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ACKNOWLEDGED AND AGREED:

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY,
by its authorized representative

By: _____

Name: John Cooper

Title: Mayor

Attested:

By: _____

Name:

Title: Metropolitan Clerk

Approved As to Form and Legality:

By: _____

Name: Wallace Dietz

Title: Director of Law

[Signature page to the Metropolitan Government of Nashville and Davidson County Process Advancements at Omohundro and K.R. Harrington Water Treatment Plants Project – WIFIA Term Sheet]

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