Passed: 8-1 (RY)

ORDINANCE 98-30

AN ORDINANCE TO AUTHORIZE ISSUANCE OF SEWAGE WORKS REVENUE BONDS (For Wastewater and Storm Water Projects)

WHEREAS, the City of Bloomington, Indiana (the "City") has heretofore established, constructed and financed a municipal sewage works and now owns and operates the sewage works pursuant to IC 36-9-23, and other applicable laws; and

WHEREAS, the Common Council of the City now finds that certain wastewater and storm water improvements, additions and extensions are necessary; and that preliminary design plans and cost estimates have been prepared and filed by the engineers employed by the City for the construction of said improvements, additions and extensions, which plans and estimates have been or will be approved by the Utility Service Board and by all governmental authorities having jurisdiction, including, particularly, the Indiana Department of Environmental Management; and

WHEREAS, the City has obtained engineer's estimates of the costs for the construction of said improvements, additions and extensions and will advertise for and receive construction bids therefor; that on the basis of said estimates, the maximum estimated cost of the projects, as defined in IC 36-9-23 and IC 36-9-1, including incidental expenses, is in the amount of $19,530,000.00; and

WHEREAS, the Common Council has been advised that a portion of the projects will qualify for financing through the State Revolving Loan Fund Program ("SRF Program"); and

WHEREAS, there are no sewage works funds on hand for application on the costs of the projects which shall be financed by the issuance of sewage works revenue bonds, in one or more series, in an aggregate amount not to exceed $19,530,000.00, and, if necessary, bond anticipation notes ("BANs"); and

WHEREAS, the Common Council finds that there are now outstanding bonds which have been refunded and economically defeased designated Sewage Works Revenue Bonds of 1968, dated July 1, 1968 and Sewage Works Revenue Bonds, Series of 1978, dated April 1, 1978 (collectively, the "Prior Refunded Bonds"), now outstanding in the aggregate amount of $3,830,000, maturing annually over a period ending February 1, 2005, and payable out of the revenues of the sewage works; the City issued its bonds designated "Sewage Works Refunding Revenue Bonds of 1989," dated November 1, 1989 ("1989 Bonds"), now outstanding in the amount of $3,890,000 and maturing annually over a period ending January 1, 2005, to refund such Prior Refunded Bonds, which 1989 Bonds constitute a first charge upon the Net Revenues (as hereinafter defined) of the sewage works, subject to Section 17 hereof; and

WHEREAS, the Common Council finds that there are now outstanding certain Sewage Works Revenue Bonds of 1995, dated May 1, 1995 ("1995 Bonds"), now outstanding in the amount of $18,015,000 and maturing annually over a period ending January 1, 2025, which 1995 Bonds constitute a first charge upon the Net Revenues of the sewage works on a parity with the 1989 Bonds, subject to Section 17 hereof; and

WHEREAS, the ordinances authorizing the issuance of the now outstanding 1989 Bonds and 1995 Bonds permit the issuance of additional bonds ranking on a parity with said 1989 Bonds and 1995 Bonds provided that certain conditions can be met, and the City finds that the finances of said sewage works will enable the City to meet the conditions for the issuance of additional parity bonds and that, accordingly, the revenue bonds authorized herein to be issued in one or more series shall constitute a first charge on the Net Revenues of the sewage works on a parity with the now outstanding 1989 Bonds and 1995 Bonds, subject to Section 17 hereof; and

WHEREAS, the bonds to be issued pursuant to this ordinance are to be issued subject to the provisions of the laws of the State of Indiana, including, without limitation, IC 36-9-

23, as in effect on the issue date of the bonds issued hereunder (the "Act"), and the terms and restrictions of this ordinance; and

WHEREAS, the City desires to authorize the issuance of BANs hereunder, if necessary, payable solely from the proceeds of the sewage works revenue bonds issued to finance the aforementioned costs of the project and to authorize the refunding of said BANs, if issued; and

WHEREAS, the City will enter into a Financial Assistance Agreement with the State of Indiana pertaining to the projects which qualify for the SRF Program and the financing thereof ("Financial Assistance Agreement"); and

WHEREAS, the Common Council has been advised that the purchase of municipal bond insurance, including a surety to provide a reserve in the Reserve Account continued herein, may be cost efficient; and

WHEREAS, the Common Council now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of revenue bonds and BANs have been complied with in accordance with the provisions of the Act;

NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, INDIANA, THAT:

SECTION I. Construction of Projects. The City proceed with the construction of improvements, additions and extensions to its sewage works in accordance with the cost estimates and the preliminary design plans heretofore prepared and filed by the consulting engineers employed by the City, which cost estimates and preliminary design plans are by reference made a part of this ordinance as fully as if the same were attached hereto and incorporated herein and two copies of which are now on file in the Office of the City Clerk and are open for public inspection pursuant to IC 36-1-5-4, that the cost of construction of said improvements, additions and extensions shall not exceed the sum of $19,530,000.00, plus investment earnings on the bond and BAN proceeds, without further authorization from this Common Council. The terms "sewage works," "sewage works system," "system," "works," and other like terms where used in this ordinance shall be construed to mean and include the Treatment Works, as defined in the Financial Assistance Agreement, and includes the existing sewage works system and all real estate and equipment used in connection therewith and appurtenances thereto, and all extensions, additions, and improvements thereto and replacements thereof now or at any time hereafter constructed or acquired. A description of the proposed improvements, additions and extensions is set forth on Exhibit A attached hereto (collectively, the "Project"), and the Project shall be constructed in accordance with the plans heretofore mentioned, which plans are hereby approved. Said Project shall be constructed and the bonds herein authorized shall be issued pursuant to and in accordance with the Act.

SECTION II. Issuance of BANs and Bonds; Definitions

(a) The City shall issue, if necessary, its BANs for the purpose of procuring interim financing to apply to the cost of said Project. The City shall issue its BANs, in one or more series, in an aggregate amount not to exceed Nineteen Million Five Hundred and Thirty Thousand Dollars ($19,530,000.00) to be designated "Sewage Works Bond Anticipation Notes, Series _____," to be completed with the appropriate series designation. Said BANs shall be numbered consecutively from 1 upward, shall be in multiples of One Dollar ($1) as designated in the purchase agreement for said BANs, shall be dated as of the date of delivery thereof, and shall bear interest at a rate not to exceed 5% per annum (the exact rate or rates to be determined through negotiations with the purchaser of the BANs), payable upon maturity. Each series of the BANs will mature no later than two (2) years after their date of delivery. The BANs are subject to renewal or extension at an interest rate or rates not to exceed 5% per annum (the exact rate or rates to be negotiated with the purchaser of the BANs). The term of the BANs and all renewal BANs may not exceed five years from the date of delivery of the initial BANs. The BANs shall be registered in the name of the purchasers thereof.

The BANs shall be issued pursuant to IC 5-1.5-8-6.1 if sold to the Indiana Bond Bank, pursuant to IC 13-18-13 if sold to the SRF Program, or pursuant to IC 5-1-14-5 if sold to a financial institution or any other purchaser. The principal of and interest on the BANs shall be payable solely from the issuance of revenue bonds pursuant to and in the manner prescribed by the Act. The

revenue bonds will be payable solely out of and constitute a first charge against the Net Revenues (herein defined as gross revenues of the sewage works of the City after deduction only for the payment of the reasonable expenses of operation, repair and maintenance) of the sewage works of the City, on a parity with the 1989 Bonds and 1995 Bonds, but subject to Section 17 hereof.

(b) The City shall issue in one or more series its "Sewage Works Revenue Bonds of ____, Series __," to be completed with the year in which the bonds are issued and series designation (the "Bonds") in an aggregate principal amount not to exceed $19,530,000.00 for the purpose of procuring funds to be applied on the cost of the Project, funding a reserve for the Bonds, the payment of costs of issuance, refunding the BANs, if issued, and all other costs related to the Project, including a premium for municipal bond insurance and a surety for the reserve.

The Bonds shall be issued in the denomination of One Dollar ($1) each if sold to the SRF Program to finance Eligible Costs (as defined in the Financial Assistance Agreement) or Five Thousand Dollars ($5,000) each or integral multiples thereof, if sold to finance other costs of the Project, numbered consecutively from 1 upward, dated as of the date of delivery if sold to the SRF Program, or the first day of the month in which they are sold if sold to any other purchaser and interest shall be payable semiannually on January 1 and July 1 in each year, commencing on the first January 1 or July 1 after interest on the Bonds shall begin to accrue as designated by the Controller with the advice of the City's financial advisor, and for Bonds sold to the SRF Program, as set forth in the Financial Assistance Agreement. The Bonds shall be sold at a price of not less than 98.75% of the par value thereof. The Bonds shall be payable in lawful money of the United States of America, at the principal office of the Paying Agent (as hereinafter defined) and such Bonds shall bear interest at a rate or rates not exceeding 9% per annum (the exact rate or rates to be determined by bidding or as negotiated with the Indiana Bond Bank in conjunction with the SRF Program) and mature, or shall be subject to mandatory sinking fund redemption if term bonds are issued, annually on January 1 of each year over a period not to exceed thirty (30) years, or over a period not to exceed twenty (20) years from substantial completion of the Project for Bonds sold to the SRF Program, and in such amounts as will achieve as level annual debt service as practicable, taking into account the annual debt service requirements of the 1989 Bonds, the 1995 Bonds and all series of Bonds issued under this ordinance.

Interest on the Bonds and BANs shall be calculated according to a 360-day calendar year containing twelve 30-day months.

All or a portion of the Bonds may be issued as one or more term bonds, upon election of the successful bidder. Such term bonds shall have a stated maturity or maturities of January 1 in the years as determined by the successful bidder, but such years must correspond to the years and not extend beyond the final year of maturity ultimately established in accordance with the above paragraph. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date, on principal payment dates in accordance with the payment schedule that is implemented in accordance with the above paragraph.

Each series of Bonds shall rank on a parity with the other for all purposes, including the pledge of Net Revenues under this ordinance.

(c) The following words and phrases shall have the following meanings unless the context otherwise requires:

"Act" means the provisions of IC 36-9-23, as in effect on the date of delivery of the Bonds.

"Bond and Interest Account" means the account continued within the Sewage Works Sinking Fund of Section 15 of this ordinance.

"Financial Assistance Agreement" means the agreement between the City and the State of Indiana pertaining to any series of Bonds sold to the SRF Program and the portion of the Project financed with such series of Bonds.

"General Account" means the account continued in Section 14 of this ordinance.

"MBIA" means MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504.

"Municipal Bond Insurance Policy" means the municipal bond insurance providing the guarantee of the payment of debt service on the 1995 Bonds.

"1989 Bonds" means the bonds designated "Sewage Works Refunding Revenue Bonds of 1989," dated November 1, 1989, now outstanding in the amount of $3,890,000 and maturing annually over a period ending January 1, 2005.

"1989 Financial Guaranty Agreement" means the agreement between the City of Bloomington and MBIA pertaining to the 1989 Surety Bond.

"1989 Surety Bond" shall mean the debt service reserve fund surety bond held in the Reserve Account for the 1989 Bonds and purchased from MBIA.

"1995 Bonds" means the Sewage Works Revenue Bonds of 1995, dated May 1, 1995, now outstanding in the amount of $18,015,000.

"1995 Financial Guaranty Agreement" means the agreement between the City of Bloomington and MBIA pertaining to the 1995 Surety Bond.

"1995 Surety Bond" shall mean the debt service reserve fund surety bond held in the Reserve Account for the 1995 Bonds and purchased from MBIA.

"1998 Bonds" means the first series of Bonds issued under this ordinance.

"1998 Financial Guaranty Agreement" means the agreement between the City of Bloomington and the municipal bond insurer pertaining to the 1998 Surety Bond.

"1998 Surety Bond" shall mean, a Qualified Surety Bond, the debt service reserve fund surety bond which may be held in the Reserve Account for the 1998 Bonds.

"Qualified Surety Bond" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, must also be rated in the highest rating category by A.M. Best & Company.

"Registrar and Paying Agent" means the financial institution selected to act as the registrar and paying agent for the Bonds.

"Reserve Account" means the account continued within the Sewage Works Sinking Fund in Section 15 of this ordinance.

"SRF Program" means the State Revolving Loan Fund Program administered by the State of Indiana in accordance with IC 13-18-13, to which the City expects to sell one or more series of Bonds issued under this ordinance.

"Sewage Works Improvement Fund" means the fund continued in Section 16 of this ordinance.

"Sewage Works Sinking Fund" means the sinking fund continued in Section 15 of this ordinance.

SECTION III. <u>Registrar and Paying Agent; Payments under the Surety Bond; Book-Entry Provisions</u>

(a) The Utility Service Board is hereby authorized to contract with a qualified financial institution to serve as Registrar and Paying Agent for the Bonds (the "Registrar" or "Paying Agent"). The Registrar is hereby charged with the responsibility of authenticating the Bonds. The Assistant Director-Finance of the utility is hereby authorized to enter into such agreements or understandings with the Registrar as will enable the institution to perform the services required of a registrar and paying agent. The Assistant Director-Finance of the utility is further authorized to pay such fees as the Registrar may charge for the services it provides as Registrar and Paying Agent and such fees may be paid from the Sewage Works Sinking Fund established to pay the principal of and interest on the Bonds as fiscal agency charges. As to the BANs and as to any series of Bonds, if sold to the SRF Program, the Controller shall serve as Registrar and Paying Agent and is hereby charged with the duties of Registrar and Paying Agent.

For any Bonds or BANs sold to the SRF Program to finance Eligible Costs, the principal of and interest thereon shall be paid by wire transfer to such financial institution if and as directed by the State of Indiana on the due date of such payment or, if such due date is a day when financial institutions are not open for business, on the business day immediately after such due date. So long as the Indiana Bond Bank is the owner of said Bonds or BANs in conjunction with the SRF Program, such Bonds and BANs shall be presented for payment as directed by the State.

For all other Bonds or if wire transfer payment is not required, the principal of the Bonds and the principal and interest on the BANs shall be payable at the principal corporate trust office of the Paying Agent. All payments of interest on the Bonds shall be paid by check, mailed one business day prior to the interest payment date to the registered owners thereof as the names appear as of the fifteenth day of the month preceding the interest payment date (the "Record Date") and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by such registered owner on or before such Record Date. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the Bonds shall be made in any coin or currency of the United States of America, which on the date of such payment, shall be legal tender for the payment of public and private debts.

Each Bond shall be transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Registrar by the registered owner in person, or by its attorney duly authorized in writing, upon surrender of such Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner, or its attorney duly authorized in writing, and thereupon a new fully registered Bond or Bonds in an authorized aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or the registered owner, as the case may be, in exchange therefor. The costs of such transfer or exchange shall be borne by the City except for any tax or governmental charge required to be paid with respect to the transfer or exchange, which taxes or governmental charges are payable by the person requesting such transfer or exchange. The City, Registrar and Paying Agent for the Bonds may treat and consider the person in whose name such Bonds are registered as the absolute owner thereof for all purposes including for the purpose of receiving payment of, or on account of, the principal thereof and interest due thereon.

The Registrar and Paying Agent may at any time resign as Registrar and Paying Agent upon giving 30 days' notice in writing to the City and by first class mail to each registered owner of the Bonds then outstanding, and such resignation will take effect at the end of such 30 day period or upon the earlier appointment of a successor registrar and paying agent by the City. Any such notice to the City may be served personally or sent by registered mail. The Registrar and Paying Agent may be removed at any time as Registrar and Paying Agent by the City, in which event the City may appoint a successor registrar and paying agent. The City shall notify each registered owner of the Bonds then outstanding by first class mail of the removal of the Registrar and Paying Agent. Notices to the registered owners of the Bonds shall be deemed to be given when mailed by first class mail to the addresses of such registered owners as they appear on the registration books kept by the Registrar.

Upon the appointment of any successor registrar and paying agent by the City, the Assistant Director-Finance of the utility is authorized and directed to enter into such agreements and understandings with such successor registrar and paying agent as will enable the institution to perform the services required of a registrar and paying agent for the Bonds. The Assistant Director-Finance of the utility is further authorized to pay such fees as the successor registrar and paying agent may charge for the services it provides as registrar and paying agent and such fees may be paid from the Sewage Works Sinking Fund continued in Section 15 hereof. Any predecessor registrar and paying agent shall deliver all of the Bonds and any cash or investments in its possession with respect thereto, together with the registration books, to the successor registrar and paying agent.

Interest on the Bonds sold to the SRF Program to finance Eligible Costs shall be payable from the date or dates as set forth in the Financial Assistance Agreement. Interest on all other Bonds shall be payable from the interest payment date to which interest has been paid next preceding the authentication date of the Bonds unless the Bonds are authenticated after the Record Date and on or before such interest payment date in which case they shall bear interest from such interest payment date, or unless the Bonds are authenticated on or before the Record Date preceding the first interest payment date, in which case they shall bear interest from the original date until the principal shall be fully paid.

As to the 1998 Surety Bond, if one is acquired, if it becomes necessary to draw funds under the 1998 Surety Bond, the Paying Agent shall deliver to the bond insurer a Demand for Payment in the form provided by the bond insurer at least three days prior to the date funds are required. It will be the responsibility of the Paying Agent and the City to maintain adequate records, verified with the bond insurer as to the amount available to be drawn at any given time under the 1998 Surety Bond and as to the amounts paid and owing to the bond insurer under the terms of the 1998 Financial Guaranty Agreement.

(b) The City has determined that it may be beneficial to the City to have the Bonds held by a central depository system pursuant to an agreement between the City and The Depository Trust Company, New York, New York ("Depository Trust Company") and have transfers of the Bonds effected by book-entry on the books of the central depository system ("Book Entry System"). The Bonds may be initially issued in the form of a separate single authenticated fully registered Bond for the aggregate principal amount of each separate maturity of the Bonds. In such case, upon initial issuance, the ownership of such Bonds shall be registered in the register kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company.

With respect to the Bonds registered in the register kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company, the City and the Paying Agent shall have no responsibility or obligation to any other holders or owners (including any beneficial owner ("Beneficial Owner")) of the Bonds with respect to (i) the accuracy of the records of the Depository

Trust Company, CEDE & CO., or any Beneficial Owner with respect to ownership questions, (ii) the delivery to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any notice with respect to the Bonds including any notice of redemption, or (iii) the payment to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any amount with respect to the principal of, or premium, if any, or interest on the Bonds except as otherwise provided herein.

No person other than the Depository Trust Company shall receive an authenticated Bond evidencing an obligation of the City to make payments of the principal of and premium, if any, and interest on the Bonds pursuant to this ordinance. The City and the Registrar and Paying Agent may treat as and deem the Depository Trust Company or CEDE & CO. to be the absolute bondholder of each of the Bonds for the purpose of (i) payment of the principal of and premium, if any, and interest on such Bonds; (ii) giving notices of redemption and other notices permitted to be given to bondholders with respect to such Bonds; (iii) registering transfers with respect to such Bonds; (iv) obtaining any consent or other action required or permitted to be taken of or by bondholders; (v) voting; and (vi) for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Depository Trust Company, and all such payments shall be valid and effective fully to satisfy and discharge the City's and the Paying Agent's obligations with respect to principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by the Depository Trust Company to the City of written notice to the effect that the Depository Trust Company has determined to substitute a new nominee in place of CEDE & CO., and subject to the provisions herein with respect to consents, the words "CEDE & CO." in this ordinance shall refer to such new nominee of the Depository Trust Company. Notwithstanding any other provision hereof to the contrary, so long as any Bond is registered in the name of CEDE & CO., as nominee of the Depository Trust Company, all payments with respect to the principal of and premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Depository Trust Company as provided in a representation letter from the City to the Depository Trust Company.

Upon receipt by the City of written notice from the Depository Trust Company to the effect that the Depository Trust Company is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Depository Trust Company hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the register of the City kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company, but may be registered in whatever name or names the bondholders transferring or exchanging the Bonds shall designate, in accordance with the provisions of this ordinance.

If the City determines that it is in the best interest of the bondholders that they be able to obtain certificates for the fully registered Bonds, the City may notify the Depository Trust Company and the Registrar, whereupon the Depository Trust Company will notify the Beneficial Owners of the availability through the Depository Trust Company of certificates for the Bonds. In such event, the Registrar shall prepare, authenticate, transfer and exchange certificates for the Bonds as requested by the Depository Trust Company and any Beneficial Owners in appropriate amounts, and whenever the Depository Trust Company requests the City and the Registrar to do so, the Registrar and the City will cooperate with the Depository Trust Company by taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the fully registered Bonds of any Beneficial Owner's Depository Trust Company account or (ii) to arrange for another securities depository to maintain custody of certificates for and evidencing the Bonds.

If the Bonds shall no longer be restricted to being registered in the name of a Depository Trust Company, the Registrar shall cause said Bonds to be printed in blank in such number as the Registrar shall determine to be necessary or customary; provided, however, that the Registrar shall not be required to have such Bonds printed until it shall have received from the City indemnification for all costs and expenses associated with such printing.

In connection with any notice or other communication to be provided to bondholders by the City or the Registrar with respect to any consent or other action to be taken by bondholders, the City or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Depository Trust Company notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

So long as said Bonds are registered in the name of the Depository Trust Company or CEDE & CO. or any substitute nominee, the City and the Registrar and Paying Agent shall be entitled to request and to rely upon a certificate or other written representation from the Beneficial Owners of

the Bonds or from the Depository Trust Company on behalf of such Beneficial Owners stating the amount of their respective beneficial ownership interests in the Bonds and setting forth the consent, advice, direction, demand or vote of the Beneficial Owners as of a record date selected by the Registrar and the Depository Trust Company, to the same extent as if such consent, advice, direction, demand or vote were made by the bondholders for purposes of this ordinance and the City and the Registrar and Paying Agent shall for such purposes treat the Beneficial Owners as the bondholders. Along with any such certificate or representation, the Registrar may request the Depository Trust Company to deliver, or cause to be delivered, to the Registrar a list of all Beneficial Owners of the Bonds, together with the dollar amount of each Beneficial Owner's interest in the Bonds and the current addresses of such Beneficial Owners.

SECTION IV. Redemption of BANs and Bonds

(a) The BANs are prepayable by the City, in whole or in part, at any time upon 7 days' notice to the owner of the BANs without any premium.

(b) No sooner than eight (8) years after the original date of the Bonds, the Bonds may be called for redemption, or on any date thereafter, on sixty (60) days' notice, in whole or in part, in inverse order of maturity for Bonds sold to the SRF Program, and on thirty (30) days' notice, in whole or in part, in the order of maturity as determined by the City for Bonds sold to any other purchaser, and by lot within a maturity, at face value, together with a premium no greater than 2%, plus accrued interest to the date fixed for redemption. The exact redemption dates and premiums shall be established by the Controller with the advice of the City's financial advisor prior to delivery of the Bonds.

So long as the 1998 Surety Bond is in effect, there may be no optional redemption of Bonds or distribution of funds unless all amounts owed to the bond insurer under the terms of the 1998 Financial Guaranty Agreement or any other documents have been paid in full.

(c) If any Bond is issued as a term bond, the Paying Agent shall credit against the mandatory sinking fund requirement for the Bonds maturing as term bonds, and corresponding mandatory redemption obligation, in the order determined by the City, any Bonds maturing as term bonds which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Registrar for cancellation or purchased for cancellation by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each Bond maturing as a term bond so delivered or cancelled shall be credited by the Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory sinking fund date, and any excess of such amount shall be credited on future redemption obligations, and the principal amount of the Bonds to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall credit only such Bonds maturing as term bonds to the extent received on or before forty-five (45) days preceding the applicable mandatory redemption date as stated above.

If less than an entire maturity is called for redemption at one time, the Bonds to be redeemed shall be selected by the Registrar by lot within a maturity. Each authorized denomination amount shall be considered a separate bond for purposes of optional and mandatory redemption. If some Bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the Bonds for optional redemption before selecting the Bonds by lot for the mandatory sinking fund redemption.

(d) In either case, notice of such redemption shall be given at least sixty (60) days prior to the date fixed for redemption for Bonds sold to the SRF Program, and at least thirty (30) days prior to the date fixed for redemption for Bonds sold to any other purchaser, by mail unless the notice is waived by the registered owner of a Bond. Such notice shall be mailed to the address of the registered owners as shown on the registration records of the City as of the date which is sixty-five (65) days prior to such redemption date for Bonds sold to the SRF Program and as of the date which is forty-five (45) days prior to such redemption date for Bonds sold to any other purchaser. The notice shall specify the date and place of redemption and sufficient identification of the Bonds called for redemption. The place of redemption shall be determined by the City. Interest on the Bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the principal office of the Paying Agent to pay the redemption price on the date so named. Coincidentally with the payment of the redemption price, the Bonds so called for redemption shall be surrendered for cancellation.

SECTION V. Execution and Negotiability. Each of the BANs and Bonds shall be executed in the name of the City by the manual or facsimile signature of the Mayor, countersigned by the manual

or facsimile signature of its Controller and attested by the manual or facsimile signature of its Clerk, and the seal of the City shall be affixed, imprinted or impressed to or on each of the BANs and Bonds manually, by facsimile or any other means; and these officials, by the execution of a Signature and No Litigation Certificate, shall adopt as and for their own proper signatures the facsimile signatures appearing on the Bonds or BANs. In case any officer whose signature or facsimile signature appears on the Bonds or BANs shall cease to be such officer before the delivery of the Bonds or BANs, the signature of such officer shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

The BANs and Bonds shall have all of the qualities and incidents of negotiable instruments under the laws of the State of Indiana, subject to the provisions for registration herein.

The Bonds shall also be authenticated by the manual signature of the Registrar, and no Bond shall be valid or become obligatory for any purpose until the certificate of authentication thereon has been so executed.

SECTION VI. Form of Bonds. The form and tenor of the Bonds shall be substantially as follows, all blanks to be filled in properly prior to delivery:

UNITED STATES OF AMERICA

STATE OF INDIANA COUNTY OF MONROE

CITY OF BLOOMINGTON
SEWAGE WORKS REVENUE
BOND OF ____, SERIES _____

Interest Rate	Maturity Date	Original Date	Authentication Date	CUSIP

REGISTERED OWNER:

PRINCIPAL SUM:

The City of Bloomington, in Monroe County, State of Indiana, for value received, hereby promises to pay to the Registered Owner named above or registered assigns, solely out of the special revenue fund hereinafter referred to, the Principal Sum set forth above on [the Maturity Date set forth above] [January 1 in the years and amounts as set forth on Exhibit A attached hereto] (unless this bond be subject to and be called for redemption prior to maturity as hereinafter provided), and to pay interest hereon at the Interest Rate per annum stated above from [_____] [the interest payment date to which interest has been paid next preceding the Authentication Date of this bond unless this bond is authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case it shall bear interest from such interest payment date or unless this bond is authenticated on or before _____ 15, ____, in which case it shall bear interest from the Original Date,] until the principal is paid, which interest is payable semiannually on the first days of January and July in each year, beginning on _____ 1, ____.

[The principal of this bond is payable at the principal office of _____ _____ (the "Registrar" or "Paying Agent"), in the City of _____, Indiana.] All payments of [principal of and] interest on this bond shall be paid by [check, mailed one business day prior to the interest payment date] [wire transfer for deposit to a financial institution as directed by the State on the due date or, if such due date is a day when financial institutions are not open for business, on the business day immediately after such due date] to the registered owner hereof as of the fifteenth day of the month preceding such interest payment date at the address as it appears on the registration books kept by the [Registrar] [_____ (the "Registrar" or "Paying Agent") in the _____ of _____, Indiana] or at such other address as is provided to the Paying Agent in writing by the registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date

occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the bond shall be made in any coin or currency of the United States of America, which on the dates of such payment, shall be legal tender for the payment of public and private debts.

THE CITY SHALL NOT BE OBLIGATED TO PAY THIS BOND OR THE INTEREST HEREON EXCEPT FROM THE HEREINAFTER DESCRIBED SPECIAL FUND, AND NEITHER THIS BOND NOR THE ISSUE OF WHICH IT IS A PART SHALL IN ANY RESPECT CONSTITUTE A CORPORATE INDEBTEDNESS OF THE CITY WITHIN THE PROVISIONS AND LIMITATIONS OF THE CONSTITUTION OF THE STATE OF INDIANA.

[The bonds do not qualify for the $10,000,000 exception from the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the disallowance of the deduction for interest expense allocable to tax-exempt obligations.]

The terms and provisions of this bond are continued on the reverse side hereof and such terms and provisions shall for all purposes have the same effect as though fully set forth at this place.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the execution, issuance and delivery of this bond have been done and performed in regular and due form as provided by law.

This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by an authorized representative of the Registrar.

IN WITNESS WHEREOF, the City of Bloomington, in Monroe County, Indiana, has caused this bond to be executed in its corporate name by the manual or facsimile signature of the Mayor, countersigned manually or by facsimile by the Controller, its corporate seal to be hereunto affixed, imprinted or impressed by any means and attested manually or by facsimile by its Clerk.

JOHN FERNANDEZ, Mayor
City of Bloomington

[SEAL]

Countersigned:

JEFFREY UNDERWOOD, Controller

ATTEST:

PATRICIA WILLIAMS, Clerk
City of Bloomington

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Ordinance.

_____,
as Registrar

By _____
Authorized Representative

(To be printed on Reverse Side)

This bond is one of an authorized issue of bonds of the City of Bloomington, [issued in series] of like date, tenor and effect, except as to rates of interest and dates of maturity; aggregating _____ Dollars ($_____) [for this series]; numbered consecutively from 1 up; issued for the purpose of providing funds to be applied on the cost of wastewater and storm water additions, extensions and improvements to the City's sewage works (the "Project"), funding a reserve for the bonds, [to refund interim notes issued in anticipation of the bonds] and to pay issuance expenses[, including a municipal bond insurance premium and the cost of a surety for the reserve]. This bond is issued pursuant to an Ordinance adopted by the Common Council of said City on the _____ day of July, 1998, entitled "An Ordinance of the City of Bloomington authorizing the issuance of sewage works revenue bonds for the purpose of providing funds to pay the cost of certain additions, extensions and improvements to the municipal sewage works of said City, providing for the safeguarding of the interests of the owners of said bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repealing ordinances inconsistent herewith" (the "Ordinance"), and in accordance with the provisions of Indiana law, including without limitation Indiana Code 36-9-23 as in effect on the date of delivery of the bonds of this issue (the "Act"), the proceeds of which bonds are to be applied to the costs of the Project, funding a reserve for the bonds, [the payment of notes issued in anticipation of the bonds,] and expenses incurred in connection therewith[, including premiums for a municipal bond insurance policy and a surety for the reserve] .

[Reference is hereby made to the Financial Assistance Agreement between the City and the State of Indiana as to certain terms and covenants pertaining to the sewage works project and this bond (the "Financial Assistance Agreement").]

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this bond and all other bonds of said issue, [including the Sewage Works Revenue Bonds of ____, Series _____ (the "Series _____ Bonds")] and any bonds hereafter issued on a parity therewith are payable solely from the Sewage Works Sinking Fund continued by the Ordinance (the "Sinking Fund") to be provided from the Net Revenues (defined as the gross revenues of the sewage works of the City after deduction only for the payment of the reasonable expenses of operation, repair and maintenance) of the sewage works of the City. The payment of this bond ranks on a parity with the payment of the 1989 Bonds and 1995 Bonds (each as defined in the Ordinance).

The City of Bloomington irrevocably pledges the entire Net Revenues of the sewage works to the prompt payment of the principal of and interest on the bonds authorized by the Ordinance, of which this is one, and any bonds ranking on a parity therewith, including the 1989 Bonds, the 1995 Bonds [and the Series ____ Bonds], to the extent necessary for that purpose, and covenants that it will cause to be fixed, maintained and collected such rates and charges for services rendered by the utility as are sufficient in each year for the payment of the proper and reasonable expenses of Operation and Maintenance (as defined in the Financial Assistance Agreement) of the sewage works and for the payment of the sums required to be paid into the Sinking Fund under the provisions of the Act and the Ordinance. The rates and charges shall be established, to the extent permitted by law, to produce Net Revenues sufficient to pay at least 1.20 times the annual debt service on the 1989 Bonds, the 1995 Bonds [, the Series ___ Bonds], the bonds of this issue and all amounts owed to the insurer of the 1989 Bonds and the 1995 Bonds under the terms of the Financial Guaranty Agreement pertaining to the 1989 Bonds and 1995 Bonds, respectively. If the City or the proper officers thereof shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the interest on or principal of this bond, the owner of this bond shall have all of the rights and remedies provided for in the Act, including the right to have a receiver appointed to administer the works and to charge and collect rates sufficient to provide for the payment of this bond and the interest hereon.

Pursuant to the ordinance authorizing the issuance of the 1989 Bonds (the "1989 Ordinance") and the Escrow Agreement defined therein (the "1989 Escrow Agreement"), the City has set aside

obligations of the United States of America (purchased from proceeds of the 1989 Bonds and funds on hand of the sewage works) and certain cash in a trust account to provide payment of the principal of and interest on the Prior Refunded Bonds (as defined in the Ordinance). If there are insufficient funds held under the 1989 Escrow Agreement to pay the Prior Refunded Bonds, the Prior Refunded Bonds shall, to that extent, be paid from Net Revenues prior and superior to the claim of the bonds, [the Series ____ Bonds,] the 1989 Bonds and the 1995 Bonds.

The City of Bloomington further covenants that it will set aside and pay into its Sinking Fund monthly, as available, or more often if necessary, a sufficient amount of the Net Revenues of the works for payment of (a) the interest on all bonds which by their terms are payable from the revenues of the sewage works, as such interest shall fall due, (b) the necessary fiscal agency charges for paying bonds and interest, (c) the principal of all bonds which by their terms are payable from the revenues of the sewage works, as such principal shall fall due, and (d) an additional amount as a margin of safety to maintain the debt service reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of the sewage works on a parity with the aforementioned 1989 Bonds, 1995 Bonds and Series ____ Bonds, subject to section 17 of the Ordinance.

The bonds of this issue maturing on and after January 1, ____, are redeemable at the option of the City on _____ 1, ____, or any date thereafter, on [thirty (30)] [sixty (60)] days' notice, in whole or in part, [in the order of maturity as determined by the City] [in inverse order of maturity] and by lot within a maturity, at face value, together with the following premiums:

__% if redeemed on _____ 1, ____, or thereafter
on or before _____, ____;
__% if redeemed on _____, ____, or thereafter
on or before _____, ____;
0% if redeemed on _____, ____, or thereafter
prior to maturity;

plus accrued interest to the date fixed for redemption.

[The bonds maturing on January 1, ___ are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on January 1 in the years and amounts set forth below:

Year	Amount
*	

* Final Maturity

The bonds maturing on January 1, _____ are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on January 1 in the years and amounts set forth below:

Year	Amount
*	

* Final Maturity]

If less than an entire maturity is called for redemption at one time, the bonds to be redeemed shall be selected by lot within a maturity by the Registrar. Each _____ Dollars ($_____) principal amount shall be considered a separate bond for purposes of optional [and mandatory]

redemption. [If some bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the bonds for optional redemption before selecting the bonds by lot for the mandatory sinking fund redemption.]

Notice of such redemption shall be mailed to the address of the registered owner as shown on the registration records of the City, as of the date which is [forty-five (45)] [sixty-five (65)] days prior to such redemption date, not less than [thirty (30)] [sixty (60)] days prior to the date fixed for redemption unless the notice is waived by the registered owner of this bond. The notice shall specify the date and place of redemption and sufficient identification of the bonds called for redemption. The place of redemption may be determined by the City. Interest on the bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the place of redemption to pay the redemption price on the date so named.

If this bond shall not be presented for payment or redemption on the date fixed therefor, the City may deposit in trust with its depository bank, an amount sufficient to pay such bond or the redemption price, as the case may be, and thereafter the registered owner shall look only to the funds so deposited in trust with said bank for payment and the City shall have no further obligation or liability in respect thereto.

This bond is transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Registrar by the registered owner hereof in person, or by his attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner, or his attorney duly authorized in writing, and thereupon a new fully registered bond or bonds in an authorized aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or to the registered owner, as the case may be, in exchange therefor. This bond may be transferred without cost to the registered owner except for any tax or governmental charge required to be paid with respect to the transfer. The City, the Registrar, the Paying Agent and any other registrar or paying agent for this bond may treat and consider the person in whose name this bond is registered as the absolute owner hereof for all purposes including for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon.

This bond is subject to defeasance prior to redemption or payment as provided in the Ordinance referred to herein. THE OWNER OF THIS BOND, BY THE ACCEPTANCE HEREOF, HEREBY AGREES TO ALL THE TERMS AND PROVISIONS CONTAINED IN THE ORDINANCE. The Ordinance may be amended without the consent of the owners of the bonds as provided in the Ordinance if the Common Council determines, in its sole discretion, that the amendment shall not adversely affect the rights of any of the owners of the bonds.

The bonds maturing in any one year are issuable only in fully registered form in the denomination of $_____ or any integral multiple thereof.

[INSERT STATEMENT OF INSURANCE]

ASSIGNMENT

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

Dated: _____

_____
NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guarantee program.

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.

SECTION VII. Authorization for Preparation and Sale of the BANs and the Bonds; 1998 Financial Guaranty Agreement; Municipal Bond Insurance

(a) The Controller is hereby authorized and directed to have the BANs and the Bonds prepared, and the Mayor, Controller and Clerk are hereby authorized and directed to execute and attest the BANs and the Bonds in the form and manner provided herein. The Controller is hereby authorized and directed to deliver the BANs and the Bonds to the respective purchasers thereof. At the time of delivery of the BANs and the Bonds, the Controller shall collect the full amount which the respective purchasers have agreed to pay therefor, which amount shall not be less than 99.5% of the face value of said BANs and not less than 98.75% of the face value of said Bonds, as the case may be. The City may receive payment for the Bonds and BANs in installments. The Bonds, as and to the extent paid for and delivered to the purchaser, shall be the binding special revenue obligations of the City payable out of the Net Revenues of the sewage works, on a parity with the 1989 Bonds and the 1995 Bonds, subject to Section 17 herein. The proper officers of the City are hereby directed to sell the Bonds, to draw all proper and necessary warrants, and to do whatever acts and things which may be necessary to carry out the provisions of this ordinance. Distribution of an Official Statement (preliminary and final) is hereby authorized and approved and the Mayor, Controller or Clerk are authorized and directed to execute the Official Statement on behalf of the City in a form consistent with this ordinance. The Mayor, Controller or Clerk are hereby authorized to designate the preliminary Official Statement as "nearly final" for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

(b) In the event the financial advisor to the City certifies to the City that it would be economically advantageous for the City to acquire a municipal bond insurance policy for any series of Bonds, the City hereby authorizes and directs the Mayor, Controller and Clerk to obtain such an insurance policy. The acquisition of a municipal bond insurance policy is hereby deemed economically advantageous in the event the difference between the present value cost of (a) the total debt service on the Bonds if issued without municipal bond insurance and (b) the total debt service on the Bonds if issued with municipal bond insurance, is greater than the cost of the premium on the municipal bond insurance policy. The cost of obtaining the municipal bond insurance policy and the 1998 Surety Bond shall be considered as a part of the cost of the issuance of the Bonds and shall be paid out of the proceeds of the Bonds or out of other funds of the sewage works system.

(c) In accordance with the requirements of the bond insurer, if a 1998 Surety Bond is purchased by the City, the City shall execute and deliver the 1998 Financial Guaranty Agreement with the bond insurer providing for, among other things, the reimbursement to the bond insurer of amounts drawn under the 1998 Surety Bond. The Mayor, the Controller, the Clerk or the Assistant Director-Finance of the utility are hereby authorized and directed to complete, execute and attest the 1998 Financial Guaranty Agreement on behalf of the City so long as its provisions are consistent with this ordinance.

SECTION VIII. Bond Sale Notice. If any series of Bonds will be sold at a competitive sale, the Controller shall cause to be published either (i) a notice of bond sale in the *Bloomington Herald-Times*, the only newspaper published in the City of Bloomington, Indiana, two times, at least one week apart, the first publication made at least fifteen (15) days before the date of the sale and the second publication being made at least three (3) days before the date of the sale, or (ii) a notice of intent to sell in the *Bloomington Herald-Times* and the *Court & Commercial Record* all in accordance with IC 5-1-11 and IC 5-3-1. A notice of sale may also be published one time in the *Court & Commercial Record*, and a summary notice may also be published in *The Bond Buyer* in New York, New York. The notice shall state the character and amount of the Bonds, the maximum rate of interest thereon, the terms and conditions upon which bids will be received and the sale made, and such other information as the Controller and the attorneys employed by the City shall deem advisable and any summary notice may contain any information deemed so advisable. The notice may provide, among other things, that each bid shall be accompanied by a certified or cashier's check or a financial surety bond in an amount equal to 1% of the principal amount of the Bonds described

in the notice to guarantee performance on the part of the bidder. If a financial surety bond is used, it must be from an insurance company licensed to issue such bond in the State of Indiana, and such bond must be submitted to the City prior to the opening of the bids. The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder utilizing a financial surety bond, then that purchaser is required to submit to the City a certified or cashier's check (or wire transfer such amount as instructed by the City) not later than 3:30 p.m. (Bloomington Time) on the next business day following the award. In the event the successful bidder shall fail or refuse to accept delivery of the Bonds and pay for the same as soon as the Bonds are ready for delivery, or at the time fixed in the notice of sale, then said check and the proceeds thereof shall be the property of the City and shall be considered as its liquidated damages on account of such default. Bidders for said Bonds will be required to name the rate or rates of interest which the Bonds are to bear, not exceeding the maximum rate hereinbefore fixed, and such interest rate or rates shall be in multiples of one-hundredth (1/100) or one-twentieth (1/20) of one percent (1%). The rate bid on a maturity shall be equal to or greater than the rate bid on the immediately preceding maturity. No conditional bid or bid for less than 98.75% of the face amount of the Bonds will be considered. The opinion of Ice Miller Donadio & Ryan, bond counsel of Indianapolis, Indiana, approving the legality of said Bonds, will be furnished to the purchaser at the expense of the City.

The Bonds shall be awarded by the Controller to the best bidder who has submitted his bid in accordance with the terms of this ordinance, IC 5-1-11 and the notice of sale. The best bidder will be the one who offers the lowest net interest cost to the City, to be determined by computing the total interest on all of the Bonds to their maturities and adding thereto the discount bid, if any, and deducting the premium bid, if any. The right to reject any and all bids shall be reserved. If an acceptable bid is not received on the date of sale, the sale may be continued from day to day thereafter without further advertisement for a period of thirty (30) days, during which time no bid which provides a higher net interest cost to the City than the best bid received at the time of the advertised sale will be considered.

As an alternative to public sale, the Controller may negotiate the sale of any series of Bonds to the Indiana Bond Bank in conjunction with the SRF Program. The Mayor, Controller and Clerk are hereby authorized to (i) submit an application to the Indiana Bond Bank, (ii) execute a Bond Purchase Agreement with the Indiana Bond Bank with terms conforming to this ordinance and (iii) sell such Bonds upon such terms as are acceptable to the Mayor, Controller and the Clerk consistent with the terms of this ordinance. The Financial Assistance Agreement for the Bonds and the Project shall be executed by the City and the State of Indiana. The substantially final form of Financial Assistance Agreement attached hereto and incorporated herein by reference is hereby approved by the Common Council and the Mayor, the Controller, and the Clerk are hereby authorized to execute and deliver the same, and to approve any changes in form or substance to the Financial Assistance Agreement which are consistent with the terms of this ordinance, such changes to be conclusively evidenced by its execution.

SECTION IX. Use of Proceeds and Costs of Issuance. The proceeds from the sale of the Bonds, to the extent not used to refund BANs, and BAN proceeds shall be deposited in a bank or banks which are legally designated depositories for the funds of the City, in a special account or accounts to be designated as "City of Bloomington, Sewage Works Construction Account" (the "Construction Account"). All funds deposited to the credit of the Sewage Works Sinking Fund or the Construction Account shall be deposited, held, secured or invested in accordance with the laws of the State of Indiana relating to the depositing, holding, securing or investing of public funds, including particularly IC 5-13, as amended and supplemental. The funds in the Construction Account shall be expended only for the purpose of paying the cost of the Project, refunding the BANs, if issued, or as otherwise required by the Act or for the expenses of issuance of the Bonds. The cost of obtaining the legal services of Ice Miller Donadio & Ryan, shall be considered as a part of the cost of the Project on account of which the BANs and Bonds are issued. Any balance or balances remaining unexpended in such special account or accounts after completion of the Project, which are not required to meet unpaid obligations incurred in connection with such Project, shall either (1) be paid into the Sinking Fund and used solely for the purposes of said Sinking Fund or (2) be used for the same purpose or type of project for which the Bonds were originally issued, all in accordance with IC 5-1-13, as amended and supplemented.

With respect to any series of Bonds sold to the SRF Program to finance Eligible Costs, to the extent that the total principal amount of the Bonds is not paid by the purchaser or drawn down by the City, the City shall reduce the principal amounts of the Bond maturities to effect such reduction

in a manner that will still achieve as level annual debt service as practicable as described in Section 2(b).

SECTION X. Accrued Interest. The accrued interest received at the time of delivery of the Bonds, if any, and premium, if any, shall be deposited in the Sewage Works Sinking Fund continued in Section 15.

SECTION XI. Financial Records and Accounts; Continuing Disclosure. The City shall keep proper records and books of account, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues received on account of the operation of the sewage works and all disbursements made therefrom and all transactions relating to the utility. Copies of all such statements and reports shall be kept on file in the office of the Assistant Director-Finance. The substantially final form of Continuing Disclosure Undertaking Agreement (the "Agreement") attached hereto is hereby approved by the Common Council, and the Mayor or the Controller are hereby authorized and directed to complete and execute the same on behalf of the City. Notwithstanding any other provisions of this ordinance, failure of the City to comply with the Agreement shall not be considered an event of default under the Bonds or this ordinance.

If any series of Bonds or BANs are sold to the SRF Program to finance Eligible Costs, the City shall establish and maintain the books and other financial records of the Project (including the establishment of a separate account or subaccount for the Project) and the sewage works in accordance with (i) generally accepted governmental accounting standards for utilities, on an accrual basis, as promulgated by the Government Accounting Standards Board and (ii) the rules, regulations and guidance of the State Board of Accounts.

SECTION XII. Pledge of Net Revenues. The interest on and the principal of the Bonds issued pursuant to the provisions of this ordinance, and any bonds hereafter issued on a parity therewith, shall constitute a first charge on all the Net Revenues, on a parity with the 1989 Bonds and the 1995 Bonds, subject to Section 17 herein, and such Net Revenues are hereby irrevocably pledged to the payment of the interest on and principal of such Bonds, to the extent necessary for that purpose.

SECTION XIII. Revenues. All revenues derived from the operation of the sewage works and from the collection of wastewater and storm water rates and charges shall be segregated and deposited as set forth in this ordinance. Of these revenues the proper and reasonable expenses of operation, repair and maintenance of the works shall be paid, the requirements of the Sinking Fund shall be met, and the costs of replacements, extensions, additions and improvements shall be paid.

SECTION XIV. General Account

(a) There is hereby continued an account known as the "General Account". All revenues of the sewage works shall be deposited in the General Account. The balance maintained in this Account shall be sufficient to pay the expenses of operation, repair and maintenance for the then next succeeding two calendar months. The moneys credited to this Account shall be used for the payment of the reasonable and proper operation, repair and maintenance expenses of the sewage works on a day-to-day basis, including reasonable legal and professional expenses not taken into account in the definition of Net Revenues, but none of the monies in such Account shall be used for depreciation, payments in lieu of taxes, replacements, improvements, extensions or additions. Any monies in said Account may be transferred to the Sewage Works Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding bonds of the sewage works.

(b) Moneys in the General Account shall be transferred from time to time to meet the requirements of the Sewage Works Sinking Fund. Moneys in excess of those transferred to the Sewage Works Sinking Fund may be transferred to the Sewage Works Improvement Fund or may be retained in the General Account, in the discretion of the Utility Service Board, and in a manner consistent with the requirements of this ordinance, provided that any excess Net Revenues must be used first to pay interest to MBIA, if any, on amounts advanced under the 1989 Surety Bond, the 1995 Surety Bond or to the bond insurer under the 1998 Surety Bond before such excess Net Revenues may be transferred to the Sewage Works Improvement Fund. Moneys in excess of those (i) required to be in the General Account and the Sewage Works Sinking Fund, and (ii) any amounts payable to MBIA under the 1989 Financial Guaranty Agreement and 1995 Financial Guaranty Agreement, and to the bond insurer under the 1998 Financial Guaranty Agreement may also be used, in the discretion of the Utility Service Board, for any other lawful purpose related to the sewage works.

SECTION XV. Sewage Works Sinking Fund

(a) There is hereby continued a special fund designated the "Sewage Works Sinking Fund" (herein, "Sewage Works Sinking Fund" or "Sinking Fund") for the payment of the principal of and interest on all outstanding revenue bonds which by their terms are payable from the Net Revenues of the sewage works, the payment of any fiscal agency charges in connection with the payment of bonds and for payment of any amounts owed to MBIA under the 1989 Financial Guaranty Agreement and 1995 Financial Guaranty Agreement, and to the bond insurer under the 1998 Financial Guaranty Agreement, if any. There shall be set aside and deposited in the Sinking Fund, as available, and as hereinafter provided, a sufficient amount of the Net Revenues of the sewage works to meet the requirements of the Bond and Interest Account and Reserve Account hereby continued in the Sinking Fund. Such payments shall continue until the balances in the Bond and Interest Account and the Reserve Account equal the principal of and interest on all of the then outstanding bonds of the sewage works to their final maturity and provide for payment of all fiscal agency charges and any amounts owed to MBIA under the 1989 Financial Guaranty Agreement and the 1995 Financial Guaranty Agreement, and to the bond insurer under the 1998 Financial Guaranty Agreement, if any. Any payments owed to MBIA and the bond insurer under the 1998 Financial Guaranty Agreement, if any, shall be junior and subordinate to the payment of the Bonds, the 1989 Bonds and the 1995 Bonds.

(b) Bond and Interest Account. There is hereby continued, within the Sinking Fund, the Bond and Interest Account. There shall be credited on the last day of each calendar month to the Bond and Interest Account an amount of the Net Revenues equal to at least one-sixth (1/6) of the interest on all then outstanding bonds payable on the then next succeeding interest payment date and at least one-twelfth (1/12) of the principal on all then outstanding bonds payable on the then next succeeding principal payment date, until the amount of interest and principal payable on the then next succeeding respective interest and principal payment dates shall have been so credited. There shall similarly be credited to the Account any amount necessary to pay the bank fiscal agency charges for paying interest on outstanding bonds as the same become payable. There shall similarly be credited an amount at least equal to one-twelfth (1/12) of the aggregate amounts owed to MBIA under the 1989 Financial Guaranty Agreement and 1995 Financial Guaranty Agreement, and to the bond insurer under the 1998 Financial Guaranty Agreement, if any. The City shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owner or to the bank fiscal agency sufficient moneys to pay the interest one business day prior to the interest payment date and principal on the due date thereof together with the amount of bank fiscal agency charges. The City shall repay all amounts owed to MBIA under the 1989 Financial Guaranty Agreement and 1995 Financial Guaranty Agreement, and to the bond insurer under the 1998 Financial Guaranty Agreement, if any, in accordance with the terms thereof. Draws under the 1989 Surety Bond, 1995 Surety Bond and 1998 Surety Bond shall bear interest at the respective rates specified in the 1989 Financial Guaranty Agreement, the 1995 Financial Guaranty Agreement and the 1998 Financial Guaranty Agreement, if any.

(c) Reserve Account. There is hereby continued, within the Sinking Fund, the Reserve Account. The City purchased the 1989 Surety Bond as a reserve for the 1989 Bonds and the 1995 Surety Bond as a reserve for the 1995 Bonds. For the first series of the Bonds issued under this ordinance, the City shall purchase the 1998 Surety Bond, use Bond proceeds, funds on hand, or a combination thereof, and for subsequent series of Bonds issued under this ordinance, the City shall purchase a Qualified Surety Bond, use Bond proceeds, funds on hand, or a combination thereof, which shall cause the Reserve Account to contain an amount equal to the least of (i) 10% of the proceeds of the Bonds issued under this ordinance, the 1995 Bonds and the 1989 Bonds, (ii) maximum annual debt service on the Bonds issued under this ordinance, the 1995 Bonds and the 1989 Bonds, (iii) 125% of average annual debt service on the Bonds issued under this ordinance, the 1995 Bonds and the 1989 Bonds ("Reserve Requirement"). For purposes of this subsection, proceeds means the face amount of the Bonds, the 1995 Bonds and the 1989 Bonds minus original issue discount, if any, plus any premium received on the Bonds, the 1995 Bonds and the 1989 Bonds. The Reserve Account shall constitute the margin for safety and protection against default in the payment of principal of and interest on the Bonds, the 1995 Bonds and the 1989 Bonds, and the moneys in the Reserve Account shall be used to pay current principal and interest on the Bonds, the 1995 Bonds and the 1989 Bonds to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiency in the balance maintained in the Reserve Account shall be made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. To the extent that cash is held in the Reserve Account, the cash shall be drawn down completely before any demand is made on the 1989 Surety Bond, the 1995 Surety Bond, the 1998

Surety Bond or any other Qualified Surety Bond. In the event moneys in the Reserve Account (whether cash or funds provided under the 1989 Surety Bond, the 1995 Surety Bond, the 1998 Surety Bond or any other Qualified Surety Bond) are transferred to the Bond and Interest Account to pay principal and interest on outstanding Bonds, 1995 Bonds or 1989 Bonds, then such depletion of the balance in the Reserve Account shall be made up from the next available Net Revenues after credits into the Bond and Interest Account, provided that MBIA and the bond insurer shall be reimbursed first to reinstate the 1989 Surety Bond, the 1995 Surety Bond, the 1998 Surety Bond and any other Qualified Surety Bond and second, to replenish any cash held in the Reserve Account. Any moneys in the Reserve Account in excess of the Reserve Requirement may, in the discretion of the Utility Service Board, be transferred to the General Account or be used for the purchase of outstanding bonds or installments of principal of fully registered Bonds, 1995 Bonds or 1989 Bonds at a price not exceeding par and accrued interest.

SECTION XVI. Sewage Works Improvement Fund. As set forth in Section 14(b), revenues may be transferred or credited from the General Account to a fund designated the "Sewage Works Improvement Fund", which is hereby continued. The Sewage Works Improvement Fund shall be used for improvements, replacements, additions and extensions of the sewage works, and for payments in lieu of taxes. Moneys in the Sewage Works Improvement Fund shall be transferred to the Sewage Works Sinking Fund if necessary to prevent a default in the payment of principal and interest on the then outstanding Bonds, 1995 Bonds or 1989 Bonds or, if necessary, to eliminate any deficiencies in credits to or minimum balance in the Reserve Account of the Sewage Works Sinking Fund or may be transferred to the General Account to meet unforeseen contingencies in the operation, repair and maintenance of the sewage works.

SECTION XVII. Reversion of Flow of Funds. Simultaneously with the issuance of the 1989 Bonds, the Prior Refunded Bonds were refunded and economically defeased with proceeds of the 1989 Bonds and cash on hand of the sewage works. If the cash and Government Obligations, together with any increment thereto and interest earned thereon, will not be sufficient to pay when due all principal of and interest on the Prior Refunded Bonds to and including their final maturity dates, the City covenants and agrees that (i) the revenues of the sewage works shall be applied in accordance with the terms of the ordinances authorizing the Prior Refunded Bonds (the "Prior Ordinances"), and (ii) the claim of the owners of the Bonds, the 1995 Bonds and the 1989 Bonds is in all respects junior and subordinate to the rights of the holders of the Prior Refunded Bonds under the Prior Ordinances.

SECTION XVIII. Maintenance of Funds; Investments. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the City. The General Account and the Sewage Works Improvement Fund may be maintained in a single account, or accounts, but such account, or accounts, shall likewise be maintained separate and apart from all other accounts of the City and apart from the Sinking Fund account or accounts. All moneys deposited in the accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that moneys therein may be invested in obligations in accordance with the applicable laws, including particularly Indiana Code, Title 5, Article 13, as amended or supplemented, and in the event of such investment the income therefrom shall become a part of the funds invested and shall be used only as provided in this ordinance.

As long as the Municipal Bond Insurance Policy is in effect, the moneys held in the Funds and Accounts continued under this ordinance, may be invested, to the extent permitted by Indiana law, in the following obligations (the "Permitted Investments"):

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
   Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations
7. U.S. Maritime Administration
   Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
   Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
   Participation Certificates
   Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
   Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or "Sallie Mae")
   Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations
6. Farm Credit System Consolidated system wide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Corporation of AAAm-G; AAAm; or AAm.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or FSLIC.

(g) Investment Agreements, including GIC's, acceptable to MBIA.
Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's Investors Corporation or "A-1" or better by Standard & Poor's Corporation.

(h) Bonds or notes issued by any state or municipality which are rated by Moody's Investor Corporation or Standard & Poor's Corporation in one of the two highest rating categories assigned by such agencies.

(I) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's Investor Corporation and "A-1" or "A" or better by Standard & Poor's Corporation.

(j) Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria or be approved by MBIA.

1. Repurchases must be between the municipal entity and a dealer bank or securities firm

A. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

B. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

A. Securities which are acceptable for transfer are:

(I) Direct U.S. governments, or

(ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)

B. The term of the repo may be up to 30 days

C. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/ simultaneous with payment (perfection by possession of certificated securities).

D. Valuation of Collateral

(I) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(ii) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

A. Repo meets guidelines under state law for legal investment of public funds.

(k) Any pool investment fund administered by the State of Indiana in which the City is statutorily permitted or required to invest.

SECTION XIX. Defeasance of the Bonds. If, when the Bonds or a portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or a portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds or a portion thereof then outstanding shall be paid; or (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in (ii) below), or (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, the principal of and the interest on which when due will provide sufficient moneys for such purpose, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Bonds or any designated portion thereof issued hereunder shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the City's sewage works. Amounts paid by MBIA under the 1989 Surety Bond or 1995 Surety Bond, or by the bond insurer under the 1998 Surety Bond or any other Qualified Surety Bond shall not be deemed paid pursuant to this Section 19 and shall continue to be due and owing hereunder until paid by the City in accordance with this ordinance.

SECTION XX. Rate Covenant. The City covenants and agrees that it will establish and maintain just and equitable rates or charges for the use of and the service rendered by the works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses said sewage works by or through any part of the sewage system of the City, or that in any way uses or is served by such works, at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the City) to provide for the proper Operation and Maintenance (as defined in the Financial Assistance Agreement) of the sewage works, to comply with and satisfy all covenants contained in this ordinance and any Financial Assistance Agreement and to pay all obligations of the sewage works and of the City with respect to the sewage works. The City covenants and agrees that it will establish rates and charges in a

manner which reflects a customer's fair share of the sewage works' capital costs and a customer's proportionate share of Operation and Maintenance. The fair share of the sewage work's capital costs shall be determined by the City. The proportionate share of Operation and Maintenance shall be based on the actual (or estimated) wastewater flow and loading contributed by a customer in relation to the total wastewater flow and loading contributed by all customers. The rates and charges shall be established, to the extent permitted by law, to produce Net Revenues sufficient to pay at least 1.20 times the annual debt service on the 1989 Bonds, the 1995 Bonds, the Bonds and all amounts owed to MBIA under the terms of the 1989 Financial Guaranty Agreement and the 1995 Financial Guaranty Agreement and owed to the bond insurer under the terms of the 1998 Financial Guaranty Agreement or any other Qualified Surety Bond. Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance of the sewage works and the requirements of the Sinking Fund. The rates or charges so established shall apply to any and all use of such works by and service rendered to the City and all departments thereof, and shall be paid by the City or the various departments thereof as the charges accrue.

SECTION XXI. Additional Bond Provisions. The City reserves the right to authorize and issue additional BANs at any time ranking on a parity with the BANs. The City reserves the right to authorize and issue additional bonds payable out of the revenues of its sewage works ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to its sewage works, or to refund obligations, subject to the following conditions:

(a) All required payments into the Sinking Fund shall have been made in accordance with the provisions of this ordinance, and the interest on and principal of all bonds payable from the revenues of the sewage works shall have been paid in accordance with their terms. A debt service reserve for the additional parity bonds commensurate with and proportional to the debt service reserve continued for the Bonds under Section 15(c) shall be created, upon the delivery of the additional parity bonds, and maintained. Such reserve may either be funded with bond proceeds, funds of the sewage works or a combination thereof, or the City may obtain a Qualified Surety Bond for said additional parity bonds.

(b) The Net Revenues of the sewage works in the fiscal year immediately preceding the issuance of any such bonds ranking on a parity with the Bonds shall be not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of the then outstanding bonds and the additional parity bonds proposed to be issued; or, prior to the issuance of the parity bonds the sewage rates and charges shall be increased sufficiently so that the increased rates and charges applied to the previous year's operations would have produced net operating revenues for said year equal to not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of all bonds payable from the revenues of the sewage works, including the additional parity bonds proposed to be issued.

For purposes of this subsection, the records of the sewage works shall be analyzed and all showings prepared by a certified public accountant or nationally recognized financial consultant or consulting engineer employed by the City for that purpose.

(c) The interest on the additional parity bonds shall be payable semiannually on the first days of January and July and the principal on, or mandatory sinking fund redemptions for, the additional parity bonds shall be payable annually on the first day of January.

(d) So long as the Municipal Bond Insurance Policy is in effect, in connection with the issuance of additional parity bonds, the City shall deliver to MBIA and to the bond insurer of the Bonds a copy of the disclosure document, if any, circulated with respect to such additional parity bonds.

(e) If any series of Bonds are sold to the SRF Program to finance Eligible Costs, (i) the City obtains the consent of the State of Indiana, (ii) the City has faithfully performed and is in compliance with each of its obligations, agreements and covenants contained in the Financial Assistance Agreement and this ordinance, and (iii) the City is in compliance with its National Pollutant Discharge Elimination System permits, except for non-compliance for which purpose the bonds are issued, including refunding bonds issued prior to, but part of the overall plan to eliminate such non-compliance.

SECTION XXII. Further Covenants of the City; Maintenance, Insurance, Pledge Not To Encumber, Subordinate Indebtedness, and Contract with Bondholders. For the purpose of further safeguarding the interests of the owners of the BANS and the Bonds, it is hereby specifically provided as follows:

(a) All contracts let by the City in connection with the construction of the Project shall be let after due advertisement as required by the laws of the State of Indiana, and all contractors shall be required to furnish surety bonds in an amount equal to 100% of the amount of such contracts, to insure the completion of said contracts in accordance with their terms, and such contractors shall also be required to carry such employers' liability and public liability insurance as are required under the laws of the State of Indiana in the case of public contracts, and shall be governed in all respects by the laws of the State of Indiana relating to public contracts.

(b) The Project shall be constructed under plans and specifications approved by a competent engineer designated by the City. All estimates for work done or material furnished shall first be checked by the engineer and approved by the City.

(c) So long as any of the Bonds or BANs are outstanding, the City shall at all times maintain the sewage works system in good condition, and operate the same in an efficient manner and at a reasonable cost.

(d) So long as any of the Bonds or BANs are outstanding, the City shall maintain insurance on the insurable parts of the system, of a kind and in an amount such as is usually carried by private corporations engaged in a similar type of business. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the state of Indiana.

As an alternative to maintaining such insurance, the City may maintain a self-insurance program with catastrophic or similar coverage so long as such program meets the requirements of any applicable laws or regulations and is maintained in a manner consistent with programs maintained by similarly situated municipalities. The City shall obtain the written consent of the State prior to self-insuring the project.

All insurance or self-insurance proceeds shall be used either in replacing or restoring the property destroyed or damaged, or shall be deposited in the Sinking Fund.

(e) So long as any of the BANs and Bonds are outstanding, the City shall not mortgage, pledge or otherwise encumber the property and plant of its sewage works system, or any part thereof, and shall not sell, lease or otherwise dispose of any part of the same, excepting only such machinery, equipment or other property as may be replaced, or shall no longer be necessary for use in connection with said utility, and if any Bonds are sold to the SRF Program to finance Eligible Costs the City shall obtain the prior written consent of the State of Indiana.

(f) If the BANs or Bonds are sold to the SRF Program to finance Eligible Costs, the City shall not borrow any money, enter into any contract or agreement or incur any other liabilities in connection with the sewage works, other than for normal operating expenditures, without the prior written consent of the State of Indiana if such undertaking would involve, commit or use the revenues of the sewage works.

(g) Except as otherwise specifically provided in Section 21 of this ordinance, so long as any of the Bonds are outstanding, no additional bonds or other obligations pledging any portion of the revenues of the system shall be authorized, issued or executed by the City, except such as shall be made junior and subordinate in all respects to the Bonds, unless all of the Bonds are redeemed or defeased coincidentally with the delivery of such additional bonds or other obligations.

(h) The City shall take all actions or proceedings necessary and proper, to the extent permitted by law, to require connection of all property where liquid and solid waste, sewage, night soil or industrial waste is produced with available sanitary sewers. The City shall, insofar as possible, and to the extent permitted by law, cause all such sanitary sewers to be connected with said sewage works.

(I) The provisions of this ordinance shall constitute a contract by and between the City and the owners of the Bonds and BANs herein authorized, all the terms of which shall be enforceable by any BAN or bondholder by any and all appropriate proceedings in law or in equity. After the issuance of the Bonds and BANs, this ordinance shall not be repealed, amended or modified in any respect which will adversely affect the rights or interests of the owners of the Bonds or BANs, nor shall the Common Council or any other body of the City adopt any law, ordinance or resolution in any way adversely affecting the rights of such owners so long as any of the Bonds and BANs, or the interest thereon, remain outstanding or unpaid. Except in the case of changes described in Section 23(a)-(f), this ordinance may be amended, however, without the consent of the owners of the Bonds or BANs, if the Common Council determines, in its sole discretion, that such amendment would not adversely affect the owners of the Bonds or BANs; provided, however, that if any series of Bonds or BANs are sold to the SRF Program to finance Eligible Costs, the City shall obtain the prior written consent of the State of Indiana.

(j) The provisions of this ordinance shall be construed to create a trust in the proceeds of the sale of the Bonds and BANs herein authorized for the uses and purposes herein set forth, and

the owners of the Bonds and BANs shall retain a lien on such proceeds until the same are applied in accordance with the provisions of this ordinance and said governing Act. The provisions of this ordinance shall also be construed to create a trust in the Net Revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of that Fund as in this ordinance set forth. The owners of the Bonds shall have all the rights, remedies and privileges set forth in the provisions of the governing Act, including the right to have a receiver appointed to administer the sewage works in the event the City shall fail or refuse to fix and collect sufficient rates and charges for those purposes, or shall fail or refuse to operate and maintain said system and to apply properly the revenues derived from the operation thereof, or if there be a default in the payment of the interest or or principal of the Bonds.

(k) If the City shall fail to repay any amounts owing to MBIA under the 1989 Financial Guaranty Agreement or the 1995 Financial Guaranty Agreement or to the bond insurer under the 1998 Financial Guaranty Agreement, if any, or any other Qualified Surety Bond in accordance with the requirements of Section 15(c) hereof, MBIA and the bond insurer under the 1998 Financial Guaranty Agreement, if any, or any other Qualified Surety Bond shall be entitled to exercise any and all remedies available at law or hereunder other than (i) acceleration of the maturity of the 1989 Bonds, the 1995 Bonds or Bonds or (ii) remedies which would adversely affect the holders of the 1989 Bonds, the 1995 Bonds or the Bonds.

(l) This ordinance shall not be discharged until all amounts owing to MBIA under the 1989 Financial Guaranty Agreement and 1995 Financial Guaranty Agreement or to the bond insurer under the 1998 Financial Guaranty Agreement, if any, or any other Qualified Surety Bond shall have been paid in full.

SECTION XXIII. Amendments with Consent of Bondholders. Subject to the terms and provisions contained in this section, and not otherwise, the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds issued pursuant to this ordinance and then outstanding shall have the right from time to time, to consent to and approve the adoption by the Common Council of the City of such ordinance or ordinances supplemental hereto or amendatory hereof, as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding in any particular any of the terms or provisions contained in this ordinance, or in any supplemental ordinance; provided, however, that if any series of Bonds or BANs are sold to the SRF Program to finance Eligible Costs, the City shall obtain the prior written consent of the State of Indiana; and provided further, that nothing herein contained shall permit or be construed as permitting:

(a) An extension of the maturity of the principal of or interest on, or any mandatory sinking fund redemption date for, any Bond issued pursuant to this ordinance; or

(b) A reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon; or

(c) The creation of a lien upon or a pledge of the revenues of the sewage works ranking prior to the pledge thereof created by this ordinance; or

(d) A preference or priority of any Bond or Bonds issued pursuant to this ordinance over any other Bond or Bonds issued pursuant to the provisions of this ordinance; or

(e) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance; or

(f) A reduction in the Reserve Requirement.

If the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds outstanding at the time of adoption of such supplemental ordinance shall have consented to and approved the adoption thereof by written instrument to be maintained on file in the office of the Clerk of the City, no owner of any Bond issued pursuant to this ordinance shall have any right to object to the adoption of such supplemental ordinance or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Common Council of the City from adopting the same, or from taking any action pursuant to the provisions thereof. Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be, and shall be deemed, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City and all owners of Bonds then outstanding, shall thereafter be determined, exercised and enforced in accordance with this ordinance, subject in all respects to such modifications and amendments. Notwithstanding anything contained in the foregoing provisions of this ordinance, the rights and obligations of the City and of the owners of the Bonds authorized by this ordinance, and the terms and provisions of the Bonds and this

ordinance, or any supplemental or amendatory ordinance, may be modified or altered in any respect with the consent of the City and the consent of the owners of all the Bonds then outstanding.

SECTION XXIV. Investment of Funds

(a) The Controller is hereby authorized to invest moneys pursuant to the provisions of this ordinance and IC 5-1-14-3 (subject to applicable requirements of federal law to insure such yield is then current market rate) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the Bonds and bans under federal law.

(b) The Controller shall keep full and accurate records of investment earnings and income from moneys held in the funds and accounts created or referenced herein. In order to comply with the provisions of the ordinance, the Controller is hereby authorized and directed to employ consultants or attorneys from time to time to advise the City as to requirements of federal law to preserve the tax exclusion. The Controller may pay any fees as operation expenses of the sewage works.

SECTION XXV. Tax Covenants. In order to preserve the exclusion of interest on the Bonds and BANS from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986 as existing on the date of issuance of the Bonds and BANS, as the case may be (the "Code") and as an inducement to purchasers of the Bonds and BANS, the City represents, covenants and agrees that:

(a) The sewage works will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. No person or entity other than the City or another state or local governmental unit will use more than 10% of the proceeds of the Bonds or BANS or property financed by the Bond or BAN proceeds other than as a member of the general public. No person or entity other than the City or another state or local governmental unit will own property financed by Bond or BAN proceeds or will have any actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, arrangements such as take-or-pay or output contracts or any other type of arrangement that conveys other special legal entitlements and differentiates that person's or entity's use of such property from use by the general public, unless such uses in the aggregate relate to no more than 10% of the proceeds of the BANS or the Bonds, as the case may be. If the City enters into a management contract for the sewage works, the terms of the contract will comply with IRS Revenue Procedure 97-13, as it may be amended, supplemented or superseded for time to time, so that the contract will not give rise to private business use under the Code and the Regulations, unless such use in aggregate relates to no more than 10% of the proceeds of the Bonds or BANS, as the case may be.

(b) No more than 10% of the principal of or interest on the Bonds or BANS is (under the terms of the Bonds, BANS, this ordinance or any underlying arrangement), directly or indirectly, secured by an interest in property used or to be used for any private business use or payments in respect of any private business use or payments in respect of such property or to be derived from payments (whether or not to the City) in respect of such property or borrowed money used or to be used for a private business use.

(c) No more than 5% of the Bond or BAN proceeds will be loaned to any person or entity other than another state or local governmental unit. No more than 5% of the Bond or BAN proceeds will be transferred, directly or indirectly, or deemed transferred to a nongovernmental person in any manner that would in substance constitute a loan of the Bond or BAN proceeds.

(d) The City reasonably expects, as of the date hereof, that the Bonds and BANS will not meet either the private business use test described in paragraph (a) and (b) above or the private loan test described in paragraph © above during the entire term of the Bonds or BANS, as the case may be.

(e) No more than 5% of the proceeds of the Bonds or BANS will be attributable to private business use as described in (a) and private security or payments described in (b) attributable to unrelated or disproportionate private business use. For this purpose, the private business use test is applied by taking into account only use that is not related to any government use of proceeds of the issue (Unrelated Use) and use that is related but disproportionate to any governmental use of those proceeds (Disproportionate Use).

(f) The City will not take any action nor fail to take any action with respect to the Bonds or BANS that would result in the loss of the exclusion from gross income for federal tax purposes on the Bonds or BANS pursuant to Section 103 of the Code, nor will the City act in any other manner which would adversely affect such exclusion. The City covenants and agrees not to enter

into any contracts or arrangements which would cause the Bonds or BANS to be treated as private activity bonds under Section 141 of the Code.

(g) It shall be not an event of default under this ordinance if the interest on any Bond or BAN is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of issuance of the Bonds or BANS, as the case may be.

(h) These covenants are based solely on current law in effect and in existence on the date of delivery of such Bonds and BANS, as the case may be.

(I) The City represents that it will rebate any arbitrage profits to the United States in accordance with the Code.

SECTION XXVI. Issuance of BANS

(a) The City, having satisfied all the statutory requirements for the issuance of its Bonds, may elect to issue its BAN or BANS to a financial institution, the Indiana Bond Bank, or to any other purchaser, pursuant to a Bond Anticipation Note Purchase Agreement (the "BAN Purchase Agreement") to be entered into between the City and the purchaser of the BAN or BANS. If the BANS are sold to the SRF Program to finance Eligible Costs, the Financial Assistance Agreement shall serve as the BAN Purchase Agreement. The Common Council hereby authorizes the issuance and execution of the BAN or BANS in lieu of initially issuing the Bonds to provide interim financing for the Project until permanent financing becomes available. It shall not be necessary for the City to repeat the procedures for the issuance of its Bonds, as the procedures followed before the issuance of the BAN or BANS are for all purposes sufficient to authorize the issuance of the Bonds and the use of the proceeds to repay the BAN or BANS.

(b) The Mayor and the Controller are hereby authorized and directed to execute a BAN Purchase Agreement or Financial Assistance Agreement (and any amendments made from time to time) in such form or substance as they shall approve acting upon the advice of counsel. The Mayor, the Clerk and the Controller may also take such other actions or deliver such other certificates as are necessary or desirable in connection with the issuance of the BANS or the Bonds and the other documents needed for the financing as they deem necessary or desirable in connection therewith.

SECTION XXVII. Noncompliance with Tax Covenants. Notwithstanding any other provisions of this ordinance, the covenants and authorizations contained in this ordinance (the "Tax Sections") which are designed to preserve the exclusion of interest on the Bonds and BANS from gross income under federal law (the "Tax Exemption") need not be complied with if the City receives an opinion of nationally recognized bond counsel that any Tax Section is unnecessary to preserve the Tax Exemption.

SECTION XXVIII. Rate Ordinance. The rates and charges of the sewage works are set forth in Ordinance 98-29 to be adopted on July 28, 1998. Such ordinance is incorporated herein by reference and two copies of which are on file in the Office of the City Clerk and are available for public inspection.

SECTION XXIX. Conflicting Ordinances. All ordinances and parts of ordinances in conflict herewith, except the Prior Ordinances and the ordinances authorizing the 1995 Bonds and the 1989 Bonds, are hereby repealed; provided, however, that this ordinance shall not be construed as adversely affecting the rights of the owners of the 1995 Bonds, the 1989 Bonds or the Prior Refunded Bonds.

SECTION XXX. Headings. The headings or titles of the several sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this ordinance.

SECTION XXXI. Effective Date. This ordinance shall be in full force and effect from and after its passage by the Common Council of the City of Bloomington, Monroe County, and signing by the Mayor.

PASSED and ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, this 2nd day of September, 1998.

TIMOTHY MAYER, President
Bloomington Common Council

ATTEST:

PATRICIA WILLIAMS, Clerk
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this 9th day of September, 1998.

PATRICIA WILLIAMS, Clerk
City of Bloomington

SIGNED and APPROVED by me upon this 9 day of September, 1998.

JOHN FERNANDEZ, Mayor
City of Bloomington

SYNOPSIS

This ordinance authorizes the issuance of Sewage Works Revenue Bonds in an amount not to exceed $19,530,000.00 for the purpose of providing funds to pay the cost of certain additions, extensions and improvements to the municipal sewage works of the City including the newly established Storm Water Utility, and the ordinance further provides for the safeguarding of the interests of the owners of said bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repeals ordinances inconsistent herewith. *Note: Sections 1 and 18 of the ordinance were revised after distribution and prior to being introduced on July 15, 1998. These sections incorporate certain documents by reference and the revision brings those references into compliance with the public inspection requirements announced in IC 36-1-5-4. And numerous other sections were amended with the adoption of Amendment 1, which is incorporated into this version of the ordinance.*

Signed copies to:
Legal
Controller
Utilities

EXHIBIT A

Description of Project

Description of Proposed Improvements and Extensions Stormwater and Wastewater Projects:

Stormwater

- N Dunn ST from E Kirkwood Ave to E 6th St
- Jordan River from E Kirkwood Ave to N Dunn St
- Jordan River from E 2nd St to Washington St
- Spankers Branch from 3rd St to College Ave
- Wylie St Culvert

Wastewater

- Plant Projects
  - Dillman Plant
    - Expand Capacity
    - Process Improvements
    - Sludge Handling
    - Maintenance Projects
  - Blucher Plant
  - Winston Thomas
- Collection Maintenance Projects
  - Program Management
  - Wet Weather Rehabilitation
- Collection Expansion Projects
  - System Replacements
  - Neighborhoods
  - S.R. 37 & S.R. 46 Area
  - East Fork Jackson Creek
  - Other Projects