

11/27/00

ORDINANCE NO. 43 - 2000

An Ordinance concerning the construction of additions and improvements to the sewage works of the City of Valparaiso, the issuance of revenue bonds to provide the cost thereof, the collection, segregation and distribution of the revenues of said works, the safeguarding of the interests of the owners of said revenue bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repealing ordinances inconsistent herewith

WHEREAS, the City of Valparaiso ("City") has heretofore established, constructed and financed its sewage works, and now owns and operates said sewage works pursuant to IC 36-9-23, as in effect on the issue date of the bonds authorized herein ("Act"); and

WHEREAS, the Common Council finds that certain improvements and extensions to said works are necessary; that plans, specifications and estimates have been or will be prepared and filed by the engineers employed by the City for the construction of said improvements and extensions (as more fully set forth in summary fashion in Exhibit A attached hereto and made a part hereof) ("Project"), which plans and specifications have been or will be submitted to all governmental authorities having jurisdiction, particularly the Indiana Department of Environmental Management, and have been or will be approved by the aforesaid governmental authorities and are incorporated herein by reference and open for inspection at the office of the Clerk-Treasurer as required by law; and

WHEREAS, bids for the Project shall be advertised for and received; said bids will be subject to the City's determination to construct said Project and subject to the City obtaining funds to pay for said Project; that on the basis of said engineer's estimates, the cost of said Project, as defined in IC 36-9-1-8, including estimated incidental expenses, is in the estimated amount of Sixteen Million Dollars (\$16,000,000); and

WHEREAS, the Common Council finds that it has no funds on hand to apply on the cost of the Project, therefore, the entire amount is to be financed by the issuance of sewage works revenue bonds in an amount not to exceed \$16,000,000 and, if necessary, bond anticipation notes ("BANs"); and

WHEREAS, the Common Council finds that there are outstanding bonds payable out of the Net Revenues (as hereinafter defined) of the City's sewage works designated "Sewage Works Refunding Revenue Bonds of 1993" dated January 1, 1993 ("1993 Bonds"), now outstanding in the amount of \$2,775,000 and maturing semiannually over a period ending February 1, 2005, which 1993 Bonds constitute a first charge upon the Net Revenues of the sewage works; and

WHEREAS, the ordinance authorizing the issuance of the 1993 Bonds permits the issuance of additional bonds ranking on a parity with said 1993 Bonds provided 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 bonds issued hereunder shall rank on a parity with said 1993 Bonds; and

WHEREAS, the bonds to be issued pursuant to this ordinance will constitute a first charge against the Net Revenues of the sewage works on a parity with the 1993 Bonds and are to be issued subject to the provisions of the laws of 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 sewage works revenue bonds issued hereunder 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 Project and the financing thereof (as hereinafter defined); and

WHEREAS, the Common Council now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of said 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 VALPARAISO, INDIANA, THAT:

Sec. 1. Authorization of Project. The City proceed with the construction of the Project in accordance with the plans and specifications heretofore prepared or to be prepared and filed by the consulting engineers employed by the City, which plans and specifications are now on file or will be subsequently placed on file in the office of the Clerk-Treasurer of the City, and are hereby adopted and approved, and by reference made a part of this ordinance as fully as if the same were attached hereto and incorporated herein. Two copies of the final plans and specifications and the cost estimates will be placed on file in the office of the Clerk-Treasurer of the City and be open for public inspection pursuant to IC 36-1-5-4. The estimated cost of construction of said Project is expected to be \$16,000,000, plus investment earnings on the BAN and bond proceeds. The terms "sewage works," "sewage works system," "works," "system," and words of like import where used in this ordinance shall be construed to mean the Treatment Works, as defined in the Financial Assistance Agreement to be entered into between the City and the State of Indiana ("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. The Project shall be constructed in accordance with the plans and specifications heretofore

mentioned, which Project is hereby approved. Said Project shall be constructed and the BANs and bonds herein authorized shall be issued pursuant to and in accordance with the Act.

Sec. 2. Issuance of BANs and Bonds. (a) The City shall issue, if necessary, its BANs for the purpose of procuring interim financing to apply on the cost of said Project. The City may issue its BANs, in an aggregate amount not to exceed Sixteen Million Dollars (\$16,000,000) to be designated "Sewage Works Bond Anticipation Notes." Said BANs shall be sold at not less than 99.3% of their par value, shall be numbered consecutively from 1 upward, shall be in multiples of One Dollar (\$1) as designated in the purchase agreement for the BANs, shall be dated as of the date of delivery thereof, and shall bear interest at a rate not to exceed 6.5% per annum (the exact rate or rates to be determined through negotiations with the purchaser of the BANs) payable upon maturity. 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 6.5% 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 13-18-13 if sold to the State of Indiana, pursuant to IC 5-1.5-8-6.1 if sold to the Indiana Bond Bank or pursuant to IC 5-1-14-5 if sold to a financial institution or any other purchaser. The City shall pledge to the payment of the principal of and interest on the BANs the proceeds 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 remaining after the payment of the reasonable expenses of operation, repair and maintenance) of the

sewage works now owned or subsequently acquired by the City, on a parity with the payment of the 1993 Bonds.

(b) The City shall issue its sewage works revenue bonds in the aggregate amount not to exceed \$16,000,000 to be designated "Sewage Works Revenue Bonds of 2000" ("Bonds"), for the purpose of procuring funds to apply on the cost of said Project, refunding the BANs, if issued, and issuance costs. The Bonds shall be issued and sold at a price not less than the par value thereof if sold to the Indiana State Revolving Loan Fund Program ("SRF Program") or not less than 99% of the par value thereof if sold to another purchaser. The Bonds shall be issued in fully registered form in denominations of \$1 or integral multiples thereof if sold to the SRF Program, or in denominations of \$1,000 or integral multiples thereof if sold to another purchaser, numbered consecutively from 1 up, originally dated as of the first day of the month in which they are sold, or the date of delivery if sold to the SRF Program, and shall bear interest at a rate or rates not exceeding 6.5% per annum (the exact rate or rates to be determined by bidding or through negotiation with the SRF Program). Interest is payable semiannually on February 1 and August 1 in each year, commencing on February 1, 2001. Principal 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 mature semiannually on February 1 and August 1, or be subject to mandatory sinking fund redemption on February 1 and August 1, over a period ending no later than twenty years after substantial completion of the Project, and in such amounts that will either (i) produce as level annual debt service as practicable taking into account the annual debt service on the 1993 Bonds, or (ii) produces a level annual debt service as practicable. Such debt service schedule shall be finalized and set forth in the Financial Assistance Agreement.

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

Sec. 3. Registrar and Paying Agent; Book Entry Provisions. The Mayor and the Clerk-Treasurer are authorized to select and appoint a qualified financial institution to serve as Registrar and Paying Agent for the Bonds, which Registrar is hereby charged with the responsibility of authenticating the Bonds ("Registrar" or "Paying Agent"). The Clerk-Treasurer is hereby authorized to enter into such agreements or understandings with such institution as will enable the institution to perform the services required of a Registrar and Paying Agent. The Clerk-Treasurer is further authorized to pay such fees as the institution 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 and fiscal agency charges.

As to the BANS and as to the Bonds, if sold to the SRF Program or any other purchaser that does not object to such designation, the Clerk-Treasurer shall serve as Registrar and Paying Agent and is hereby charged with the duties of a Registrar and Paying Agent.

If the Bonds or BANs are sold to the SRF Program, the principal of and interest thereon shall be paid by wire transfer to such financial institution if and as directed by the State 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 State of Indiana or the Indiana Bond Bank is the owner of said Bonds or BANs, such Bonds and BANs shall be presented for payment as directed by the State.

If such Bonds are not sold to the SRF Program or if wire transfer payment is not required, the principal of the Bonds shall be payable at the principal office of the Paying Agent and 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 of the fifteenth day of the month preceding each payment ("Record Date"), 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 BANs and 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 office of the Registrar, by the registered owner thereof 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 the same 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. The City and the 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.

Interest on Bonds sold to the SRF Program shall be paid from the date or dates which are set forth in the Financial Assistance Agreement. Interest on all other Bonds which are authenticated on or before the Record Date which precedes the first interest payment date shall be paid from their original date. Interest on Bonds authenticated subsequent to the Record Date which precedes the first interest payment date thereon shall be paid from the interest payment date to which interest has been paid as of the date on which such Bonds are authenticated, unless a Bond is authenticated between the Record Date and the interest payment date in which case the interest shall be paid from such interest payment date.

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 the 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.

Sec. 4. Redemption of BANs and Bonds. (a) The BANs are prepayable by the City, in whole or in part, on any date, upon 7 days' notice to the owner of the BANs, without any premium.

(b) The Bonds of this issue are redeemable at the option of the City, but no sooner than ten years after their date of delivery, or any date thereafter, on sixty (60) days' notice, if sold to the SRF Program, and on thirty (30) days' notice if sold to another purchaser, in whole or in part, in inverse order of maturity if sold to the SRF Program, or in the order of maturity as determined by the City if 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 Clerk-Treasurer, with the advice of the City's financial advisor, prior to the sale of the Bonds.

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.

Each authorized denomination shall be considered a separate Bond for purposes of optional and mandatory sinking fund redemption. 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. 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.

(c) Notice of redemption shall be given not less than sixty (60) days, if the Bonds are sold to the SRF Program, and thirty (30) days, if the Bonds are sold to another purchaser, prior to the date fixed for redemption unless such redemption notice is waived by the owner of the Bond or Bonds redeemed. Such notice shall be mailed to the address of the registered owner as shown on the registration record of the City as of the date which is sixty-five (65) days if the Bonds are sold to the SRF Program, and forty-five (45) days if the Bonds are sold to another purchaser, prior to such redemption date. 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.

Sec. 5. Execution of Bonds and BANs; Pledge of Net Revenues to Bonds. The BANs and Bonds shall be signed in the name of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of its Clerk-Treasurer, who shall affix the seal of said City to each of said Bonds manually or shall have the seal imprinted or impressed thereon by facsimile. These officials, by the signing of a Signature and No Litigation Certificate, shall adopt as and for their own proper signatures their facsimile signatures appearing on said Bonds. The Bonds must be authenticated by an authorized officer of the Registrar.

The Bonds, and any bonds ranking on a parity therewith, as to both principal and interest, shall be payable from and secured by an irrevocable pledge of and shall constitute a first charge upon the Net Revenues of the sewage works of the City on a parity with the 1993 Bonds. The City shall not be obligated to pay said Bonds or the interest thereon except from the Net Revenues of said works, and said Bonds shall not constitute an indebtedness of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana.

Sec. 6. Form of Bonds. The form and tenor of the Bonds shall be substantially as follows, all blanks to be filled in properly and all necessary additions and deletions to be made prior to delivery thereof:

UNITED STATES OF AMERICA

STATE OF INDIANA

COUNTY OF PORTER

CITY OF VALPARAISO

SEWAGE WORKS REVENUE BOND OF 2000

[Maturity Date]	Interest Rate	Original Date	Authentication Date	[CUSIP]
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REGISTERED OWNER:

PRINCIPAL SUM:

The City of Valparaiso ("City"), in Porter 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[, or so much thereof as may be advanced from time to time and be outstanding as evidenced by the records of the registered owner making payment for this Bond, or its assigns,] on [the Maturity Date set forth above] **OR** [February 1 and August 1 on the dates and in the amounts as set forth on Exhibit A attached hereto] (unless this Bond be subject to and shall have been duly called for redemption and payment as provided for herein), and to pay interest hereon until the Principal Sum shall be fully paid at the rate per annum specified above from [_____, ____] or [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 in which case it shall bear interest from such interest payment date, or unless this Bond is authenticated on or before January 15, 2001, in which case it shall bear interest from the Original Date,] which interest is payable semiannually on the first days of February and August of each year, beginning on February 1, 2001. Interest shall be calculated according to a 360-day calendar year containing twelve 30-day months.

[The principal of this Bond is payable at the principal office of _____ ("Registrar" or "Paying Agent"), in the _____ 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] or [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 payment, at the address as it appears on the registration books kept by [_____] ("Registrar" or "Paying Agent") in the _____ of _____, Indiana] or [the Registrar] 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.

This Bond shall not constitute an indebtedness of the City of Valparaiso within the meaning of the provisions and limitations of the constitution of the State of Indiana, and the City shall not be obligated to pay this Bond or the interest hereon except from the special fund provided from the Net Revenues.

This Bond is [the only] one of an authorized issue of Bonds of the City of Valparaiso, [of like tenor and effect, except as to numbering, interest rate, and dates of maturity,] in the total amount of _____ Dollars (\$_____) ("Bonds"), numbered from 1 up, issued for the purpose of providing funds to be applied on the cost of additions and improvements to the City's sewage works, [to refund interim notes issued in anticipation of the Bonds] and to pay incidental expenses, as authorized by an Ordinance adopted by the Common Council of the City of Valparaiso on the ____ day of _____, 2000, entitled "An Ordinance concerning the construction of additions and improvements to the sewage works of the City of Valparaiso, the issuance of revenue bonds to provide the cost thereof, the collection, segregation and distribution of the revenues of said works, the safeguarding of the interests of the owners of said revenue bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repealing ordinances inconsistent herewith" ("Ordinance"), and in strict compliance with the provisions of IC 36-9-23, as in effect on the issue date of the Bonds ("Act").

[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 ("Financial Assistance Agreement").]

[The Bonds shall be initially issued in a Book Entry System (as defined in the Ordinance). The provisions of this Bond and of the Ordinance are subject in all respects to the provisions of the Letter of Representations between the City and The Depository Trust Company, or any substitute agreement, effecting such Book Entry System.]

Pursuant to the provisions of said Act and said Ordinance, the principal and interest of this Bond and all other Bonds of said issue, and any bonds hereafter issued on a parity therewith, are payable solely from the Sewage Works Sinking Fund (continued by the Ordinance) to be provided from the Net Revenues (defined as gross revenues of the sewage works of the City remaining after the payment of the reasonable expenses of operation, repair and maintenance) of the sewage works now owned or hereafter acquired by the City. The Bonds of the issue of which this Bond is a part have been issued on a parity with the 1993 Bonds previously issued by the City as more particularly described in the Ordinance.

The City of Valparaiso irrevocably pledges the entire Net Revenues of said sewage works to the prompt payment of the principal of and interest on the Bonds authorized by said Ordinance, of which this is one, and any bonds ranking on a parity therewith, including the 1993 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 service rendered by said works 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 said works and for the payment of the sums required to be paid into said Sinking Fund under the provisions of the Act and the Ordinance. If the City or the proper officers of the City 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.

The City of Valparaiso further covenants that it will set aside and pay into its Sewage Works Sinking Fund a sufficient amount of the Net Revenues of said works to meet (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 the 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 to [create and] maintain the reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of said works, on a parity with the aforementioned 1993 Bonds.

The Bonds of this issue maturing on February 1, _____, and thereafter, are redeemable at the option of the City on _____ 1, _____, or any date thereafter, on [sixty (60)] [thirty (30)] days' notice, in whole or in part, [in inverse order of maturity] [in the order of maturity as determined by the City] 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 _____ 1, _____ or thereafter
on or before _____, _____;
0% if redeemed on _____ 1, _____ or thereafter
prior to maturity;

plus in each case accrued interest to the date fixed for redemption.

[The Bonds maturing on _____ 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 the dates and in the amounts set forth below:

Date

Amount

*

*Final Maturity]

Each authorized denomination amount shall be considered a separate bond for purposes of optional [and mandatory] redemption. If less than an entire maturity is called for redemption, the

Bonds to be called for redemption shall be selected by lot by the Registrar. [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 redemption shall be mailed to the address of the registered owner as shown on the registration record of the City, as of the date which is [sixty-five (65)] [forty-five (45)] days prior to such redemption date, but not less than [sixty (60)] [thirty (30)] days prior to the date fixed for redemption. 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 office of the Registrar, by the registered owner hereof in person, or by its 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 its attorney duly authorized in writing, and thereupon a new fully registered Bond or Bonds in the same 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. The City, the Registrar and any 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.

The 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.

The Bonds maturing in any one year are issuable only in fully registered form in the denomination of [\$1] [\$1,000] or any integral multiple thereof not exceeding the aggregate principal amount of the Bonds maturing in such year.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the preparation and complete 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 Valparaiso, in Porter County, Indiana, has caused this Bond to be executed in its corporate name by the manual or facsimile signature of its Mayor, its corporate seal to be hereunto affixed, imprinted or impressed by any means and attested manually or by facsimile by its Clerk-Treasurer.

CITY OF VALPARAISO, INDIANA

[SEAL]

By: _____
Mayor

Attest:

Clerk-Treasurer

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

It is hereby certified that this Bond is one of the Bonds described in the Ordinance.

_____,
As Registrar

By: _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____, the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, 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.

[EXHIBIT A

Date

Amount]

Sec. 7. Preparation and Sale of BANs and Bonds. The Clerk-Treasurer is hereby authorized and directed to have said BANs and Bonds prepared, and the Mayor and Clerk-Treasurer are hereby authorized and directed to execute said BANs and Bonds in the form and manner herein provided. The Clerk-Treasurer is hereby authorized and directed to deliver said BANs and Bonds to the respective purchasers thereof after sale made in accordance with the provisions of this ordinance, provided that at the time of said delivery the Clerk-Treasurer shall collect the full amount which the respective purchasers have agreed to pay therefor, which amount shall not be less than 99.3% of the face value of said BANs, and not less than 100% of the face value of the Bonds if sold to the SRF Program, and not less than 99% of the face value of the Bonds if sold to another purchaser, as the case may be. The City may receive payment for the Bonds and BANs in installments. The Bonds herein authorized, 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 City's sewage works to be set aside into the Sinking Fund as herein provided. The proceeds derived from the sale of the Bonds shall be and are hereby set aside for application on the cost of the Project hereinbefore referred to, the refunding of the BANs, if issued, and the expenses necessarily incurred in connection with the BANs and Bonds. The proper officers of the City are hereby directed 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.

Sec. 8. Bond Sale Notice. If the Bonds will be sold at a competitive sale, the Clerk-Treasurer shall cause to be published either (i) a notice of bond sale in the *Vidette Times*, a newspaper published in the City of Valparaiso, 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 *Vidette Times* and the *Court & Commercial Record*, all in accordance with IC 5-1-11 and IC 5-3-1. A notice or summary notice of sale may also be published in the *Court & Commercial Record* or in *The Bond Buyer* in New York, New York. The notice shall state the character and amount of the Bonds, the maximum rates of interest thereon, the terms and conditions upon which bids will be received and the sale made, and such other information as the Clerk-Treasurer and the attorneys employed by the City shall deem advisable, and any summary notice may contain any information deemed so advisable. Said notice shall provide, among other things, that 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 that such interest rate or rates shall be in multiples of one-eighth (1/8) 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. 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 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 bonds. 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. (Valparaiso 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. No conditional bids or bids for less than 99% of the face value of the Bonds will be considered. The opinion of Ice Miller, 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 Clerk-Treasurer to the best bidder who has submitted its bid in accordance with the terms of this ordinance, IC 5-1-11 and the notice. 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, adding thereto the discount bid, if any, and deducting therefrom the premium bid, if any. The right to reject any and all bids is hereby 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 Clerk-Treasurer may negotiate the sale of said Bonds to the SRF Program. The Mayor and the Clerk-Treasurer are hereby authorized to (i) submit an application to the SRF Program, (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 and the Clerk-Treasurer 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 if the Bonds are sold to the SRF Program. 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 and Clerk-Treasurer are hereby authorized to execute and deliver the same, and to approve any changes in form or substance to the Financial Assistance Agreement, such approval to be conclusively evidenced by its execution.

Sec. 9. Use of Proceeds. The accrued interest received at the time of the delivery of the Bonds and premium, if any, shall be deposited in the Sewage Works Sinking Fund ("Sinking Fund"). The remaining 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 Valparaiso, Sewage Works Construction Account" ("Construction Account"). All funds deposited to the credit of said Sinking Fund or 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, and the acts amendatory thereof and supplemental thereto. 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 or BANs, including the purchase of a surety bond for the reserve. The cost of obtaining the legal services of Ice Miller 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 Bonds sold to the SRF Program, 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).

Sec. 10. Revenue Fund. There is hereby continued a fund known as the Sewage Works Revenue Fund ("Revenue Fund") into which there shall be deposited upon receipt all revenues derived from the operation of the sewage works and from the collection of sewer rates and charges. This fund shall be maintained separate and apart from all other accounts of the City. Out of said Revenue Fund, the proper and reasonable expenses of operation, repair and maintenance of the works shall be paid, the principal and interest of all bonds and fiscal agency charges of registrars or

paying agents shall be paid, the reserve shall be funded, and the costs of replacements, extensions, additions and improvements shall be paid.

Sec. 11. Operation and Maintenance Fund. There is hereby continued the Operation and Maintenance Fund ("Operation and Maintenance Fund") into which there shall be credited on the last day of each calendar month a sufficient amount of the revenues of the sewage works so that the balance in the Operation and Maintenance Fund shall be sufficient to pay the expenses of operation, repair and maintenance of the works for the then next succeeding two calendar months. The moneys credited to this Fund 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. Any moneys in said Operation and Maintenance Fund may be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding bonds of the sewage works.

Sec. 12. Sewage Works Sinking Fund. (a) A special fund designated as the Sewage Works Sinking Fund ("Sinking Fund") is hereby continued for the payment of the principal of and interest on revenue bonds which by their terms are payable from the Net Revenues of the sewage works and the payment of any fiscal agency charges in connection with the payment of bonds. There shall be set aside and deposited in said Sinking Fund, as available, and as hereinafter provided, a sufficient amount of the Net Revenues of said sewage works to meet the requirements of the Bond and Interest Account and Reserve Account hereby continued in said Sinking Fund. Such payments shall continue until the balances in the Bond and Interest Account and the Reserve Account equal the interest on and the principal of all of the then outstanding bonds of the sewage works to their maturity.

(b) Bond and Interest Account. There is hereby continued, within said Sinking Fund, the Bond and Interest Account and there shall be credited on the last day of each calendar month from the Revenue Fund to the Bond and Interest Account an amount of the Net Revenues equal to at least one-sixth ($1/6$) of the interest and principal on all then outstanding bonds payable on the then next succeeding interest and principal payment date until the amount of interest and principal payable on the then next succeeding interest and principal payment date 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. 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 and principal on the due dates thereof together with the amount of bank fiscal agency charges.

(c) Reserve Account. The Reserve Account ("Reserve Account") is hereby continued within the Sinking Fund. On the date of delivery of the Bonds, funds on hand of the sewage works, Bond proceeds or a combination thereof may be deposited into the Reserve Account. The City may make monthly deposits of Net Revenues into the Reserve Account until the balance accumulated in the Reserve Account shall equal but not exceed the (i) maximum annual debt service on the 1993 Bonds, the Bonds and any parity bonds issued in the future by the City which are payable from the Net Revenues of the sewage works ("Parity Bonds"), (ii) 125% of average annual debt service on the 1993 Bonds, the Bonds and any Parity Bonds, or (iii) 10% of the proceeds of the 1993 Bonds, the Bonds and any Parity Bonds, plus a minor portion thereof as defined in the Internal Revenue Code of 1986, as amended ("Reserve Requirement"). If the initial deposit into the Reserve Account does not cause the balance therein to equal the Reserve Requirement or if no deposit is made, the

monthly deposits shall be equal in amount and sufficient to accumulate the Reserve Requirement within five years of the date of delivery of the Bonds.

The Reserve Account shall constitute the margin for safety and as protection against default in the payment of principal of and interest on the 1993 Bonds, the Bonds and any Parity Bonds, and the moneys in the Reserve Account shall be used to pay current principal and interest on the 1993 Bonds, the Bonds and any Parity 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. Any interest earnings that accumulate in excess of the Reserve Requirement shall be considered revenues of the sewage works.

Sec. 13. Sewage Works Improvement Fund. Any excess revenues may be transferred or credited from the Revenue Fund to the Sewage Works Improvement Fund ("Sewage Works Improvement Fund"), hereby continued, and said Fund shall be used for improvements, replacements, additions and extensions of the sewage works. As of the date of delivery of the Bonds, any other available and unrestricted moneys of the sewage works not otherwise deposited pursuant to the terms of this ordinance shall be transferred to the Sewage Works Improvement Fund and used for sewage works capital improvements or for any other lawful purpose. All or any portion of the funds on hand in the Sewage Works Improvement Fund shall be transferred to the Sinking Fund, if necessary, to prevent a default in the payment of principal of and interest on the then outstanding bonds or, if necessary, to eliminate any deficiencies in credits to or minimum balance in the Reserve Account of the Sinking Fund or may be transferred to the Operation and Maintenance

Fund to meet unforeseen contingencies in the operation, repair and maintenance of the sewage works.

Sec. 14. Maintenance of Accounts; Investments. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the City. The Operation and Maintenance Fund 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. Nothing in this section or elsewhere in this ordinance shall be construed to require that separate bank accounts be established and maintained for the Funds and Accounts continued by this ordinance.

Sec. 15. Maintenance of Books and Records. (a) The City shall keep proper books of records and accounts, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues collected from said works and all disbursements made on account of the works, also all transactions relating to said works. There shall be furnished, upon written request, to any owner of the Bonds, the most recent audit report of the sewage works prepared by the State Board of Accounts. Copies of all such statements and reports shall be kept on file in the office of the Clerk-Treasurer. Any owner of the Bonds then outstanding shall have the

right at all reasonable times to inspect the works and all records, accounts, statements, audits, reports and data of the City relating to the sewage works. Such inspections may be made by representatives duly authorized by written instrument. If the Bonds are subject to Rule 15c2-12 of the Securities and Exchange Commission ("Rule"), the Mayor or the Clerk-Treasurer are hereby authorized to execute and deliver a continuing disclosure agreement in satisfaction of the Rule.

(b) If the Bonds or BANs are sold to the SRF Program, 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.

Sec. 16. 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 the Financial Assistance Agreement and to pay all obligations of the sewage works and of the City with respect to the sewage works. Such rates and 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 and 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.

Sec. 17. Defeasance of Bonds. If, when any of the Bonds issued hereunder 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 any 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 any portion thereof and coupons then outstanding shall be paid; or (i) sufficient moneys, 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, 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 issued hereunder or any designated portion thereof shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the City's sewage works.

Sec. 18. 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 Parity Bonds, payable out of the Net 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 Net Revenues of the sewage works shall have been paid in accordance with their terms. The Reserve Requirement shall be satisfied for the additional Parity Bonds either at the time of delivery of the additional Parity Bonds or over a five year or shorter period, in a manner which is commensurate with the requirements established in Section 12 of this ordinance.

(b) The Net Revenues of the sewage works in the fiscal year immediately preceding the issuance of any such Parity 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 said 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 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 shall be prepared by an independent certified public accountant employed by the City for that purpose, who shall certify that he or she has no pecuniary interest in such additions, extensions or improvements, or the financing thereof, other than to analyze such records and prepare such showings.

(c) The principal on, or mandatory sinking fund redemption dates for, and interest on the additional Parity Bonds shall be payable semiannually on the first days of February and August.

(d) If the Bonds are sold to the SRF Program, (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 Parity Bonds are issued, including refunding bonds issued prior to, but part of the overall plan to eliminate such non-compliance.

Sec. 19. Further Covenants. For the purpose of further safeguarding the interests of the holders of the BANs and Bonds, it is specifically provided as follows:

(a) All contracts let by the City in connection with the construction of said 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 one hundred percent (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 employer's 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 the Bonds or BANs are outstanding, the City shall at all times maintain the sewage works 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. Insurance proceeds and condemnation awards shall be used to replace or repair the sewage works, or if not used for that purpose shall be treated and applied as Net Revenues of the sewage works, provided, if the Bonds are sold to the SRF Program, the State of Indiana shall consent to any such treatment and application of such proceeds or awards as Net Revenues of the sewage works or any other different use of such proceeds or awards.

If the Bonds or BANs are not sold to the SRF Program, the City may, as an alternative to maintaining such insurance, 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.

All 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 Bonds or BANs 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 portion thereof, 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. If such Bonds or BANs are sold to the SRF Program, so long as any of the Bonds or BANs are outstanding, the City shall not sell, transfer, lease or otherwise encumber

the sewage works, or any portion thereof, or any interest therein without the prior written consent of the State of Indiana.

(f) If the Bonds or BANs are sold to the SRF Program, 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 hereinbefore provided in Section 18 hereof, so long as any of the Bonds herein authorized are outstanding, no additional Bonds or other obligations pledging any portion of the revenues of said sewage works shall be authorized, executed, or issued by the City except such as shall be made subordinate and junior in all respects to the Bonds herein authorized, unless all of the Bonds herein authorized are redeemed or defeased pursuant to Section 17 hereof 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 bondholder by any and all appropriate proceedings in law or in equity. After the issuance of said 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 said Bonds and BANs, nor shall

the Common Council or any other body of the City adopt any law, ordinance or resolution which in any way adversely affects the rights of such owners so long as any of said Bonds, BANs or the interest thereon remain outstanding or unpaid. Except for the changes set forth in Section 22(a)-(g), this ordinance may be amended, however, without the consent of BAN or bond owners, if the Common Council determines, in its sole discretion, that such amendment would not adversely affect the owners of the BANs or Bonds; provided, however, that if the Bonds or BANs are sold to the SRF Program, 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 of said governing Act. The provisions of this ordinance shall also be construed to create a trust in the portion of the Net Revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of said fund as in this ordinance set forth. The owners of said Bonds shall have all of the rights, remedies and privileges set forth in the provisions of the governing Act, including the right to have a receiver appointed to administer said sewage works in the event the City shall fail or refuse to fix and collect sufficient rates or 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 principal of or interest on any of the Bonds or in the event of default in respect to any of the provisions of this ordinance or the governing Act.

(k) None of the provisions of this ordinance shall be construed as requiring the expenditure of any funds of the City derived from any sources other than the proceeds of the Bonds and the operation of the sewage works system

Sec. 20. Investment of Funds. (a) The Clerk-Treasurer is hereby authorized to invest moneys pursuant to IC 5-1-14-3 and the provisions of this ordinance (subject to applicable requirements of federal law to insure such yield is the 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 Clerk-Treasurer shall keep full and accurate records of investment earnings and income from moneys held in the funds and accounts continued or referenced herein. In order to comply with the provisions of the ordinance, the Clerk-Treasurer 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 Clerk-Treasurer may pay any fees as operation expenses of the sewage works.

Sec. 21. Tax Covenants. In order to preserve the exclusion of interest on the Bonds and BANs from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as existing on the date of issuance of the Bonds or BANs, as the case may be ("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 (c) 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 Town represents that it will rebate any arbitrage profits to the United States in accordance with the Code.

Sec. 22. Amendments with Consent of Bondholders. Subject to the terms and provisions contained in this Section and Section 19(i), 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, anything contained in this ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance or ordinances supplemental hereto 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 the Bonds or BANs are sold to the SRF Program, 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 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; or

(g) The extension of mandatory sinking fund redemption dates, if any.

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-Treasurer 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 City or its officers 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 issued pursuant to the provisions of this ordinance 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 ordinance, may be modified

Sec. 24. Rate Ordinance. The estimates of the rates and charges of the sewage works are set forth in Ordinance No. _____, adopted on _____, which ordinance is incorporated herein by reference.

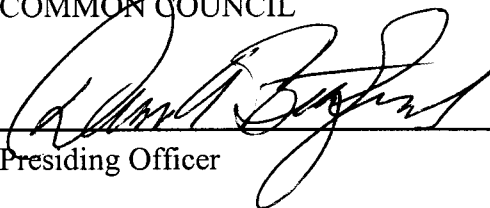
Sec. 25. Tax Exemption. Notwithstanding any other provisions of this ordinance, the covenants and authorizations contained in this ordinance ("Tax Sections") which are designed to preserve the exclusion of interest on the BANs and Bonds from gross income under federal law ("Tax Exemption") need not be complied with if the City receives an opinion of nationally recognized bond counsel that any Tax Section is unnecessary to preserve the Tax Exemption.

Sec. 26. Conflicting Ordinances. All ordinances and parts of ordinances in conflict herewith are hereby repealed; provided, however, that this ordinance shall not be construed as modifying, amending or repealing the ordinance authorizing the 1993 Bonds or as adversely affecting the right of the holders of the aforementioned outstanding bonds.

Sec. 27. Effective Date. This ordinance shall be in full force and effect from and after its passage and approval by the Mayor.

Adopted this 27th day of Nov, 2000.

CITY OF VALPARAISO
COMMON COUNCIL



Presiding Officer

Attest:



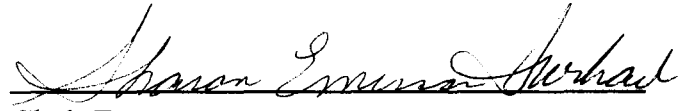
Clerk-Treasurer

or altered in any respect with the consent of the City and the consent of the owners of all the Bonds issued pursuant to this ordinance then outstanding.

Sec. 23. 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, the State of Indiana or any other purchaser, pursuant to a Bond Anticipation Note Purchase Agreement ("Bond Anticipation Note 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, the Financial Assistance Agreement shall serve as the Bond Anticipation Note Agreement. The Common Council hereby authorizes the issuance and execution of the BAN or BANs in lieu of initially issuing 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 Clerk-Treasurer are hereby authorized and directed to execute a Bond Anticipation Note 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 and the Clerk-Treasurer 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.

Presented by me to the Mayor of the City of Valparaiso, upon this 27th day of Nov., 2000, at the hour of 8:20 p.m.


Clerk-Treasurer

This ordinance signed and approved by me, the Mayor of the City of Valparaiso, upon this 27th day of November, 2000, at the hour of 8:20 p.m.


Mayor

EXHIBIT A

DESCRIPTION OF PROJECT

[TO BE PROVIDED]

SEE "EXHIBIT B" OF LOAN PROGRAM ATTACHMENT.

**STATE OF INDIANA
WASTEWATER REVOLVING LOAN PROGRAM**

FINANCIAL ASSISTANCE AGREEMENT made as of this ____ day of December, 2000 by and between the State of Indiana (the "State") acting by and through the State Budget Agency (the "Budget Agency") and the City of Valparaiso (the "Qualified Entity"), a political subdivision as defined in I.C. 13-11-2-164 and existing under I.C. 36-4, witnesseth:

WHEREAS, the State has had a longstanding commitment to fund water quality projects for political subdivisions of the State; and

WHEREAS, the State's Wastewater Revolving Loan Program (the "SRF Program") has been established in accordance with the federal Clean Water Act and the regulations promulgated thereunder, and pursuant to I.C. 13-18-13 (the "SRF Act"), which SRF Act also establishes the wastewater revolving loan fund (the "SRF Fund"); and

WHEREAS, through the cooperation of federal, state and local governments, more than a billion dollars of water quality projects have been built in Indiana in the past two decades; and

WHEREAS, hundreds of millions of dollars of additional water quality projects in Indiana are critically needed, and the political subdivisions need -- and desire -- low-cost financing therefor; and

WHEREAS, the State is authorized pursuant to the SRF Act to fund the SRF Program with federal capitalization grants, together with required State matching funds, therefor; and

WHEREAS, the SRF Program is a critical source of low-cost financing for political subdivisions' water quality projects; and

WHEREAS, the Indiana Bond Bank (the "Bond Bank") has had a longstanding commitment to finance water quality projects for qualified entities by issuing its bonds, pursuant to I.C. 5-1.5 (the "Bond Bank Act") for the purpose of buying securities of such qualified entities; and

WHEREAS, in keeping with its public purpose under the Bond Bank Act, the Bond Bank intends to cooperate with the State in financing the SRF Program, including the required State matching funds, and the political subdivisions' water quality projects and, to that end, the State intends to cooperate with the Bond Bank; and

WHEREAS, to finance the SRF Program, including the required State matching funds, the Bond Bank has previously and will issue from time to time one or more series of its State Revolving Fund Program Bonds; and

WHEREAS, the Qualified Entity is a duly existing political subdivision of the State, lawfully empowered to undertake all transactions and execute all documents mentioned or contemplated herein; and

WHEREAS, the Qualified Entity has determined to undertake a wastewater treatment system project (as more fully described herein, the "Project") and to borrow money from the SRF Program to construct and acquire the Project; and

WHEREAS, the State and the Qualified Entity desire to set forth the terms of such financial assistance as hereinafter provided.

NOW THEREFORE, in consideration of the mutual covenants herein set forth, the State and the Qualified Entity agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following terms shall, for all purposes of this Agreement, have the following meaning:

"Agency" shall mean the United States Environmental Protection Agency or its successor.

"Authorizing Instrument(s)" shall mean the separate trust indenture(s) of the Qualified Entity entered into with a corporate trustee or the detailed resolution(s) or ordinance(s) of the governing body of the Qualified Entity pursuant to which the Bonds are issued in accordance with State law.

"Authorized Representative" shall mean the Clerk-Treasurer of the Qualified Entity or such other officer, official, or representative of the Qualified Entity duly authorized to act for and on behalf of the Qualified Entity as provided for herein.

"Bond" or **"Bonds"** shall mean the instrument(s) which evidence(s) the Loan, as authorized by the Authorizing Instrument and containing the terms set forth in Section 2.02 of this Agreement.

"Bond Bank Bonds" shall mean any Indiana Bond Bank State Revolving Fund Program Bonds issued as a part of the SRF Program.

"Bond Fund" shall mean the separate and segregated fund or account established and created by the Political Subdivision pursuant to the Authorizing Instrument from which payment of the principal of and interest on the Bonds is required to be made by the Qualified Entity.

"Budget Agency" shall mean the State Budget Agency created under I.C. 4-12-1-3 or its successor.

"Business Day" shall mean any day other than a Saturday, Sunday or State legal holiday or any other day on which financial institutions in the State are authorized by law to close and to remain closed.

"Clean Water Act" shall mean the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251-1387, as amended and supplemented from time to time.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, together with the regulations related thereto.

"Department" shall mean the Indiana Department of Environmental Management created under I.C. 13-13-1-1 or its successor.

"Disbursement Request" shall mean a request for a disbursement of the Loan made by an Authorized Representative in the form of Exhibit A to this Agreement, with appropriate attachments, or in such other forms as the State may from time to time prescribe.

"Eligible Cost" shall mean and include, whether incurred before or after the date of this Agreement, all costs which have been incurred and qualify for Financial Assistance, including engineering, financing and legal costs related thereto.

"Financial Assistance" shall mean the financial assistance authorized by the Clean Water Act, including the Loan.

"Loan" shall mean the purchase of the Bonds by the State to finance the planning, designing, constructing, renovating, improving and expanding of the Qualified Entity's Treatment Works or refinance an existing debt obligation where such debt was incurred and building of such systems began after March 7, 1985, but does not mean the provision of other Financial Assistance.

"Operation and Maintenance" shall mean the activities required to assure the continuing dependable and economic function of the Treatment Works, including maintaining compliance with National Pollutant Discharge Elimination System permits, as follows:

(1) Operation shall mean the control and management of the united processes and equipment which make up the Treatment Works, including financial and personnel management, records, reporting, laboratory control, process control, safety and emergency operation planning and operating activities.

(2) Maintenance shall mean the preservation of the functional integrity and efficiency of equipment and structures by maintaining systems of preventive and corrective maintenance, including replacement.

"Plans and Specifications" shall mean the detailed written descriptions of the work to be done in undertaking and completing the Project, including the written descriptions of the work to be performed and the drawings, cross-sections, profiles and the like which show the location, dimensions and details of the work to be performed.

"Preliminary Engineering Report" shall mean the information submitted by the Qualified Entity that is necessary for the Department to determine the technical, economic and environmental adequacy of the proposed Project.

"Project" shall mean the activities or tasks identified and described in Exhibit B to this Agreement, as amended or supplemented by the Qualified Entity and consented to by the State, for which the Qualified Entity may expend the Loan.

"Purchase Account" shall mean the account by that name created by the SRF Indenture and held as part of the SRF Fund.

"SRF Fund" shall mean the wastewater revolving loan fund as established by I.C. 13-18-13-2.

"SRF Indenture" shall mean the Amended and Restated Wastewater SRF Trust Indenture, dated as of September 1, 1998 between the State and the Trustee, as amended and supplemented from time to time.

"SRF Program Director" shall mean the person designated by the Department and the Budget Agency as authorized to act as the SRF Program Director for purposes of this Agreement.

"State" shall mean the State of Indiana, acting through the Department and the Budget Agency.

"Substantial Completion of Construction" shall mean the day on which the Department determines that all but minor components of the Project have been built, all equipment is operational and the Project is capable of functioning as designed.

"Treatment Works" shall mean all, or any part of, the devices and systems for storage, transport, treatment, recycling and reclamation of municipal sewage, domestic sewage or liquid industrial wastes, or necessary to recycle or reuse water at the most economical cost over the life of the wastewater treatment system, including one or more of the following:

- (1) Intercepting sewers, outfall sewers, sewage collection systems, individual systems, pumping, power and other equipment and their appurtenances.
- (2) Extensions, improvements, remodeling, additions and alterations thereof.
- (3) Elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities.

(4) Any part of the wastewater treatment system including the land which will be an integral part of the treatment process or is used for ultimate disposal of residue resulting from such treatment, including land used for (i) composting sludge, (ii) temporary storage of such sludge and (iii) the storage of treated wastewater in land treatment systems before land application.

(5) Any other method or system for preventing, abating, reducing, storing, treating, separating or disposing of municipal or industrial waste, including waste in combined storm water and sanitary sewer systems.

"Trustee" shall mean Bank One Trust Company, NA, Indianapolis, Indiana, in its capacity as trustee or its successor under the SRF Indenture.

(End of Article I)

ARTICLE II

PURPOSE OF BORROWING AND LOAN TERMS

Section 2.01. Amount; Purpose. The State agrees to Loan an amount not to exceed Sixteen Million Dollars (\$16,000,000) in aggregate principal amount to the Qualified Entity as Financial Assistance to pay for the Eligible Costs, as hereinafter described, of the Project on, and subject to, the terms and conditions contained herein. The Loan shall be used only to pay the following Eligible Costs: (a) eligible planning services for the production of a Preliminary Engineering Report ("Planning"), (b) eligible design services for the production of Plans and Specifications ("Design") and (c) eligible construction costs, including financing and legal costs ("Construction"). The Loan shall be funded solely from available proceeds of the Bond Bank Bonds contained in the Purchase Account or from other sources the State, in its sole discretion, may designate. The Loan is evidenced by the Bonds executed and delivered by the Qualified Entity contemporaneously herewith. The Bonds shall be in fully registered form, with the Bond Bank registered as the registered owner. Pursuant to certain agreements between the State and the Bond Bank, so long as the Bond Bank is the registered owner, the principal of and redemption premium, if any, and interest on the Bonds shall be paid to the Trustee by a wire transfer referenced as follows: Bank One, N.A., BNF: Corporate Trust Services, ABA 044000037, A/C 980219029, OBI: INDIANA BOND BANK SRF, Attn: John Stephens (317) 756-1320. The Qualified Entity agrees to undertake and complete the Project and to receive and expend the Loan proceeds in accordance with this Agreement.

Section 2.02. The Bonds.

(a) The Bonds will bear interest at the per annum rate of three and nine tenths percent (3.9%) (calculated on the basis of a 360-day year comprised of twelve 30-day months) until paid, as provided in I.C. 13-18-13-10 and -15. Interest, if any, on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2001. The Bonds will be in the aggregate principal amount of Sixteen Million Dollars (\$16,000,000). Subject to Section 2.05 herein, the Bonds will mature semi-annually on February 1 and August 1 of each of the years set forth in, and at the principal amount set opposite each such month and year set forth in, the schedule contained in Exhibit C to this Agreement; provided, however, notwithstanding the foregoing or the terms of the Bonds to the contrary, no maturity of Bonds shall extend beyond the date which is twenty (20) years after Substantial Completion of Construction. If the maturity date for any Bonds is beyond such date, unless otherwise agreed to, such Bonds, together with accrued and unpaid interest thereon, will be due and payable on such date.

(b) The Bonds will be subject to redemption by the Qualified Entity as provided in the Authorizing Instrument.

(c) The form and other terms of the Bonds will be in conformity with the Authorizing Instrument.

Section 2.03. Disbursement Conditions. Each of the following shall be a condition precedent to the disbursement of the Loan or any portion thereof:

(a) (1) With respect to procurement of professional services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with 327 I.A.C. 13-11-1. (2) With respect to procurement of all other goods and services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with I.C. 36-1-12.

(b) No representation, warranty or covenant of the Qualified Entity contained in this Agreement or in any paper executed and delivered in connection with the transactions contemplated by this Agreement shall be false or inaccurate in any material respect.

(c) The Qualified Entity shall undertake and faithfully perform each of its obligations, agreements and covenants contained in this Agreement, the Authorizing Instrument and the Bonds.

(d) There shall be available to the State uncommitted funds in an amount sufficient to satisfy the State's obligations hereunder from the proceeds of Bond Bank Bonds in the Purchase Account.

(e) The Qualified Entity shall have undertaken all actions necessary to comply with and satisfied the conditions and requirements for a Loan secured with money made available from the SRF Fund as set forth in federal and State statutes, rules and regulations, including I.C. 13-18-13, 327 I.A.C. 13, the Clean Water Act and 40 C.F.R. Part 35.

(f) Prior to making any Loan disbursement to pay any Construction costs, the Project shall have been approved by the State's Historical Preservation Officer in a manner consistent with the policies and practices of the SRF Program (the "Historical Preservation Approval"). Notwithstanding any provision of this Agreement to the contrary, in the event a Historical Preservation Approval has not been given within four (4) months after the date of this Agreement, the State may, in its sole discretion, reduce the aggregate amount of the Loan to the amount then disbursed and outstanding under this Agreement. Upon giving notice to the Qualified Entity of such action, no further Loan disbursement may be made under this Agreement unless consented to by the State.

Section 2.04. Disbursement Procedures. Loan proceeds shall be disbursed to the Qualified Entity by the Trustee for actual Eligible Costs incurred with respect to the Project. The State may, in its discretion, cause Loan disbursements to be made (a) directly to the person or entity identified in the Disbursement Request to whom payment is due, or (b) if advised in writing by the Qualified Entity that I.C. 36-1-12-14 or a similar law applies to the Project, to the Qualified Entity for purposes of collecting retainage, or some combination thereof. Any Loan proceeds in excess of the amount subject to retainage controlled by the Qualified Entity will be

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE QUALIFIED ENTITY

Section 3.01. Planning, Design and Construction Covenants. The Qualified Entity hereby covenants and agrees with the State that the Qualified Entity will:

(a) Provide information as requested by the State to determine the need for, or to complete any necessary, environmental review or analysis.

(b) Comply with the procurement procedures and affirmative action requirements contained in 327 I.A.C. 13-11 in the Planning, Design and Construction of the Project to the extent that such are to be paid from Loan proceeds.

(c) With respect to prime and first tier contract awards, report minority and women business enterprise utilization in the Planning, Design and Construction of the Project, to the extent that such are to be paid from Loan proceeds, by executing and delivering Agency Form SF 5700-528-5-96 to the Department whenever any agreements or subagreements are awarded. (These reports must be submitted by the 15th day of each January, April, July and October after which such agreement or subagreement is awarded).

(d) Prior to the submission to the Department of the Design of the Project, receive the written approval of the Department as to the Preliminary Engineering Report.

(e) Comply with all applicable federal, State and local statutes, rules and regulations relating to the acquisition and construction of the Treatment Works.

(f) In the event Construction is to be paid from Loan proceeds, prior to advertising for Construction bids for the Project, receive the written approval of the Department of the Plans and Specifications.

(g) Obtain the property rights necessary to construct the Treatment Works and, in procuring any such rights comply with federal and State law.

(h) In the event Construction is to be paid from Loan proceeds, comply with the federal Davis-Bacon Act, codified at 40 U.S.C. Section 276a-276a-5.

(i) In the event Construction is to be paid from Loan proceeds, execute and deliver to the Department Agency Form 4700-4 ("Pre-award Compliance Review Report for Wastewater Treatment Construction Grants") and Agency Form 5700-49 ("Certification Regarding the Debarment, Suspension, and Other Responsibility Matters").

(j) In the event Construction is to be paid from Loan proceeds, follow guidance issued by the Department in procuring contracts for Construction, including (1) submission to the Department of Project change orders, (2) obtaining approval from the SRF Program Director of any Project change order which significantly changes the scope or Design of the Project or, when taking into account other change orders and contracts, are reasonably expected to result in expenditures in an amount greater than the Loan, (3) receiving approval from the SRF Program Director prior to the award of any contract for Construction and (4) receiving authorization from the SRF Program Director prior to initiating procurement of construction of the Project.

(k) In the event Construction is to be paid from Loan proceeds, before awarding Construction contracts, receive approval of the SRF Program Director for the sewer charge system (including sewer use ordinance and any interlocal agreement) associated with the Project.

(l) In the event Construction is to be paid from Loan proceeds, cause the Project to be constructed in accordance with the Plans and Specifications, using approved contract papers.

(m) Permit the State and its agents to inspect from time to time (1) the Project, (2) the Treatment Works and (3) the books and other financial records of the Treatment Works, including the inspections described in 327 I.A.C. 13-12-7 and 327 I.A.C. 13-15-1. Construction contracts shall provide that the State or its agents will have access to the Project and the work related thereto and that the Qualified Entity's contractor will provide proper facilities for such access and inspection. All files and records pertaining to the Project shall be retained by the Qualified Entity for at least six years after Substantial Completion of Construction.

(n) Upon Substantial Completion of Construction and when requested by the State, provide audited reports to the State to permit the State to determine that the Loan proceeds have been used in compliance with this Agreement.

(o) In the event Construction is to be paid from Loan proceeds, within one year of Substantial Completion of Construction, certify to the State that the Project meets performance standards, or if not met, (1) submit to the Department a corrective action plan, including the information described in 327 I.A.C. 13-12-9 and (2) promptly and diligently undertake any corrective action necessary to bring the Project into compliance with such standards.

(p) In the event Construction is to be paid from Loan proceeds, within one year of Substantial Completion of Construction, provide as-built plans for the Project to the Department.

Section 3.02. General Covenants. The Qualified Entity hereby covenants and agrees with the State that the Qualified Entity will:

(a) Comply with all applicable federal, State and local statutes, rules and regulations relating to Operation and Maintenance.

(b) (1) Own, operate and maintain the Project and the Treatment Works for their useful life, or cause them to be operated and maintained for their useful life; (2) at all times maintain the Treatment Works in good condition and operate it in an efficient manner and at a reasonable cost; and (3) not sell, transfer, lease or otherwise encumber the Treatment Works or any portion thereof or any interest therein without the prior written consent of the State.

(c) Obtain and maintain the property rights necessary to operate and maintain the Treatment Works, and in procuring any such rights, comply with federal and State law.

(d) Acquire and maintain insurance coverage acceptable to the State, including fidelity bonds, to protect the Treatment Works and its operations. All insurance shall be placed with responsible insurance companies qualified to do business under State law. Insurance proceeds and condemnation awards shall be used to replace or repair the Treatment Works unless the State consents to a different use of such proceeds or awards.

(e) 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 Treatment Works in accordance with (1) generally accepted governmental accounting principles, as promulgated by the Government Accounting Standards Board and (2) the rules, regulations and guidance of the State Board of Accounts.

(f) Provide to the State such periodic financial and environmental reports as it may request from time to time, including (1) annual operating and capital budgets and (2) such other information requested or required of the State or the Qualified Entity by the Agency.

(g) Provide notice to the Department under the circumstances contemplated, and undertake inspections as required, by 327 I.A.C. 13-12-7.

(h) (1) Establish and maintain just and equitable rates and charges for the use of and the service rendered by the Treatment Works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the Treatment Works, or that in any way uses or is served by the Treatment Works, (2) establish, adjust and maintain rates and charges at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the Qualified Entity) to provide for the proper Operation and Maintenance of the Treatment Works, to comply with and satisfy all covenants contained herein and to pay all obligations of the Treatment Works and of the Qualified Entity with respect thereto, and (3) if and to the extent Bonds are payable from property taxes, levy each year a special ad valorem tax upon all property located in the boundaries of the Qualified Entity, to pay all obligations of the Qualified Entity with respect thereto.

(i) If the Bonds are payable from the revenues of the Treatment Works, not borrow any money, enter into any contract or agreement or incur any other liabilities in connection with the Treatment Works without the prior written consent of the State if such undertaking would involve, commit or use the revenues of the Treatment Works; provided that the Qualified Entity may authorize and issue additional obligations, payable out of the revenues of its Treatment Works, ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to the Treatment Works, or to refund obligations of the Treatment Works, subject to the conditions, if any, in the Authorizing Instrument.

(j) Comply with the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000d et seq., the Age Discrimination Act, as amended, Public Law 94-135, Section 504 of the Rehabilitation Act of 1973, as amended (including Executive Orders 11914 and 11250), 29 U.S.C. Section 794, Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Public Law 92-500, Executive Order 11246 regarding equal employment opportunity, and Executive Orders 11625 and 12138.

(k) Undertake all actions necessary to investigate all potential, material claims which the Qualified Entity may have against other persons with respect to the Treatment Works and the Project and take whatever action is necessary or appropriate to (1) recover on any actionable, material claims related to the Project or the Planning, Design or Construction thereof, (2) meet applicable Project performance standards and (3) otherwise operate the Treatment Works in accordance with applicable federal, State and local law.

(l) Not modify, alter, amend, add to or rescind any provision of the Authorizing Instrument without the prior written consent of the State.

Section 3.03. Representations and Warranties of the Qualified Entity. After due investigation and inquiry, the Qualified Entity hereby represents and warrants to the State that:

(a) The Qualified Entity is duly organized and existing under state law, and constitutes a "political subdivision" within the meaning of I.C. 13-11-2-164. The Project and the Treatment Works are subject to I.C. 36-9-23.

(b) The Qualified Entity has full power and authority to adopt the Authorizing Instrument, enter into this Agreement and issue the Bonds and perform its obligations hereunder and thereunder.

(c) By all required action, the Qualified Entity has duly adopted the Authorizing Instrument and authorized the execution and delivery of this Agreement, the Bonds and all other papers delivered in connection herewith.

(d) Neither the execution of, nor the consummation of the transaction contemplated by, this Agreement nor the compliance with the terms and conditions of

any other paper referred to herein, shall conflict with, result in a breach of or constitute a default under, any indenture, mortgage, lease, agreement or instrument to which the Qualified Entity is a party or by which the Qualified Entity or its property, including the Treatment Works, is bound or any law, regulation, order, writ, injunction or decree of any court or governmental agency or instrumentality having jurisdiction.

(e) There is no litigation pending or, to the knowledge of the Qualified Entity, upon investigation, threatened that (1) challenges or questions the validity or binding effect of this Agreement, the Authorizing Instrument or the Bonds or the authority or ability of the Qualified Entity to execute and deliver this Agreement or the Bonds and perform its obligations hereunder or thereunder or (2) would, if adversely determined, have a significant adverse effect on the ability of the Qualified Entity to meet its obligations under this Agreement, the Authorizing Instrument or the Bonds.

(f) The Qualified Entity has not at any time failed to pay when due interest or principal on, and it is not now in default under, any warrant or other evidence of obligation or indebtedness of the Qualified Entity.

(g) All information furnished by the Qualified Entity to the State or any of the persons representing the State in connection with the Loan or the Project is accurate and complete in all material respects.

(h) The Qualified Entity has taken or will take all proceedings required by law to enable it to issue and sell the Bonds as contemplated by this Agreement.

Each of the foregoing representations and warranties will be deemed to have been made by the Qualified Entity as of the date of this Agreement and as of the date of any disbursement of Loan proceeds. Each of the foregoing representations and warranties shall survive the Loan disbursements regardless of any investigation or investigations the State may have undertaken.

Section 3.04. Covenants Regarding Assignment. The Qualified Entity acknowledges that the State may direct the Bond Bank to sell or assign the Bonds, and certain of its rights related thereto, as permitted pursuant to Section 5.02 herein. The Qualified Entity covenants and agrees to cooperate with and assist in, at its expense, any such assignment. Within 30 days following a request by the State, the Qualified Entity covenants and agrees with the State that the Qualified Entity will, at its expense, furnish any information, financial or otherwise, with respect to the Qualified Entity, this Agreement, the Authorizing Instrument and the Bonds and the Treatment Works as the State reasonably requests in writing to facilitate the sale or assignment of the Bonds.

Section 3.05. Nature of Information. All information furnished by the Qualified Entity to the State or any person representing the State in connection with the Loan or the Project may be furnished to any other person the State, in its judgment, deems necessary or desirable in its operation and administration of the SRF Program.

Section 3.06. Tax Covenants. The Qualified Entity hereby covenants that it will not take, or cause or permit to be taken by it or by any party under its control, or fail to take or cause to permit to be taken by it or by any party under its control, any action that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code. The Qualified Entity further covenants that it will not do any act or thing that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "arbitrage bonds" within the meaning of Section 148 of the Code. In furtherance and not in limitation of the foregoing, the Qualified Entity shall take all action necessary and appropriate to comply with the arbitrage rebate requirements under Section 148 of the Code to the extent applicable to the Qualified Entity or the Bonds, including accounting for and making provision for the payment of any and all amounts that may be required to be paid to the United States of America from time to time pursuant to Section 148 of the Code.

Section 3.07. Non-Discrimination Covenant. Pursuant to and with the force and effect set forth in I.C. 22-9-1-10, the Qualified Entity hereby covenants that the Qualified Entity, and its contractor and subcontractor for the Project, shall not discriminate against any employee or applicant for employment, to be employed in the performance of this Agreement, with respect to the hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, sex, disability, national origin or ancestry.

(End of Article III)

ARTICLE IV

DEFAULTS

Section 4.01. Remedies. The State's obligation to make a disbursement under the Loan to the Qualified Entity hereunder may be terminated at the option of the State, without giving any prior notice to the Qualified Entity, in the event: (a) the Qualified Entity fails to undertake or perform in a timely manner any of its agreements, covenants, terms or conditions set forth herein or in any paper entered into or delivered in connection herewith; or (b) any representation or warranty made by the Qualified Entity as set forth herein or in any paper entered into or delivered in connection herewith is materially false or misleading. Any such event shall constitute an event of default. If an event of default occurs, the State without giving any prior notice, may declare the entire outstanding principal amount of the Loan, together with accrued interest thereon, immediately due and payable.

Section 4.02. Effect of Default. Failure on the part of the State in any instance or under any circumstance to observe or perform fully any obligation assumed by or imposed upon the State by this Agreement or by law shall not make the State liable in damages to the Qualified Entity or relieve the Qualified Entity from paying any Bond or fully performing any other obligation required of it under this Agreement or the Authorizing Instrument; provided, however, that the Qualified Entity may have and pursue any and all other remedies provided by law for compelling performance by the State of such obligation assumed by or imposed upon the State. The obligations of the State hereunder do not create a debt or a liability of the State under the constitution of the State or a pledge of the faith or credit of the State and do not directly, indirectly or contingently, obligate the State to levy any form of taxation for the payment thereof or to make any appropriation for their payment. Neither the State nor any agent, attorney, member or employee of the State shall in any event be liable for damages, if any, for the nonperformance of any obligation or agreement of any kind whatsoever set forth in this Agreement.

(End of Article IV)

ARTICLE V

MISCELLANEOUS

Section 5.01. Citations. Any reference to a part, provision, section or other reference description of a federal or State statute, rule or regulation contained herein shall include any amendments, replacements or supplements to such statutes, rules or regulation as may be made effective from time to time. Each reference to 327 I.A.C. herein shall also be deemed to be a reference to the companion provision found in 85 I.A.C.

Section 5.02. Assignment. Neither this Agreement, nor the Loan or the proceeds thereof may be assigned by the Qualified Entity without the prior written consent of the State and any attempt at such an assignment without such consent shall be void. The State may at its option sell or assign all or a portion of its rights and obligations under this Agreement, the Authorizing Instrument, and the Bonds to an agency of the State or to a separate body corporate and politic of the State or to a trustee under trust instrument to which the State or any assignee is a beneficiary or party. The State may at its option assign all or a portion of its rights under this Agreement to any person. The Qualified Entity hereby consents to any such assignment by the State. This Agreement shall be binding upon and inure to the benefit of any permitted successor and assign.

Section 5.03. No Waiver. Neither the failure of the State nor the delay of the State to exercise any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise of any other right, power or privilege.

Section 5.04. Modifications. No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

Section 5.05. Entire Agreement. This Agreement contains the entire agreement between the parties hereto and there are no promises, agreements, conditions, undertakings, warranties and representations, either written or oral, expressed or implied between the parties hereto other than as herein set forth or as may be made in the Authorizing Instrument and the other papers delivered in connection herewith. In the event there is a conflict between the terms of this Agreement and the Authorizing Instrument, the terms of this Agreement shall control. It is expressly understood and agreed that except as otherwise provided herein this Agreement represents an integration of any and all prior and contemporaneous promises, agreements, conditions, undertakings, warranties and representations between the parties hereto.

Section 5.06. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be executed by the State and the Qualified Entity, and all of which shall be regarded for all purposes as one original and shall constitute one and the same instrument.

Section 5.07. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Agreement on the part of the State or the Qualified Entity to be

performed shall be deemed by a court of competent jurisdiction to be contrary to law or cause the Bonds to be invalid as determined by a court of competent jurisdiction, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements and waived and shall in no way affect the validity of the other provisions of this Agreement.

Section 5.08. Notices. All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally or sent or transmitted to the appropriate destination as set forth below in the manner provided for herein. Notice to the State shall be given by providing such notice to both the Budget Agency and the Department as follows:

State of Indiana
Department of Environmental Management
100 North Senate, 12th Floor
Post Office Box 6015
Indianapolis, Indiana 46206-6015
Attention: SRF Program Director

State of Indiana
State Budget Agency
212 State House
Indianapolis, Indiana 46204
Attention: SRF Program Representative

or at such other address(es) or number(s) and to the attention of such other person(s) as the State may designate by notice to the Qualified Entity. Notices to the Qualified entity shall be addressed to:

City of Valparaiso
City Hall
166 W. Lincolnway
Valparaiso, IN 46383-5524
Attention: Clerk-Treasurer

or at such other address(es) or number(s) and to the attention of such other person(s) as the Qualified Entity may designate by notice to the State. Any notice hereunder shall be deemed to have been served or given as of (a) the date such notice is personally delivered, (b) three (3) Business Days after it is mailed U.S. mail, First Class postage prepaid, (c) one (1) Business Day after it is sent on such terms by Federal Express or similar next-day courier, or (d) the same day as it is sent by facsimile transmission with telephonic confirmation of receipt by the person to whom it is sent.

Section 5.09. Expenses. The Qualified Entity covenants and agrees to pay (a) the fees, costs and expenses in connection with making the Loan, including issuing the Bonds and providing the necessary certificates, documents and opinions required to be delivered therewith;

(b) the fees, costs and expenses in connection with making and administering the Loan; (c) the costs and expenses of complying with its covenants made herein; and (d) any and all costs and expenses, including attorneys' fees, incurred by the State in connection with the enforcement of this Agreement, the Authorizing Instrument and the Bonds in the event of the breach by the Qualified Entity of or a default under this Agreement, the Authorizing Instrument or the Bonds. Notwithstanding clause (b) above, the Qualified Entity shall not be obligated to pay any of the fees, costs and expenses in connection with administering the Loan except as follows: (1) the State may request and the Qualified Entity shall promptly pay, an annual administrative fee in connection with the Loan in an amount determined by the State, but not exceeding \$1,000; (2) for so long as the State or the Bond Bank is the registered owner of the Bonds, at the direction of the State, the interest rate on the Bonds may be adjusted to lower the interest rate on the Bonds, and the difference between the amount payable as the original rate on the Bonds and the lower rate shall be deemed an additional administrative fee in connection with the SRF Program; and (3) the Qualified Entity shall only be obligated to pay fees, costs and expenses of the State's counsel and financial advisers in connection with making the Loan up to \$5,000.

Section 5.10. Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Indiana.

Section 5.11. Term. This Agreement shall terminate at such time as the Qualified Entity has fully met and discharged all of its obligations hereunder, which term may extend beyond the final payment of the Bonds or provision for the payment of the Bonds pursuant to the Authorizing Instrument.

(End of Article V)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or officials, all as of the date first above written.

CITY OF VALPARAISO, INDIANA

"Qualified Entity"

By: _____

Printed: _____

Title: _____

Attest:

immediately remitted to the person or entity to whom payment is due, no later than three (3) Business Days after receipt or the date such Loan proceeds are no longer subject to retainage. Loan disbursements shall not be made more frequently than monthly and shall only be made following the submission of a Disbursement Request to the State. Disbursement Requests shall be approved by the Department and the SRF Program Director prior to submission to the Trustee for a Loan disbursement. Disbursement Requests shall be numbered sequentially, beginning with the number 1.

Section 2.05. Effect of Disbursements. Loan disbursements made to or for the benefit of the Qualified Entity shall be deemed to be a purchase of the Bonds in such amounts and with such maturities as achieves as level debt service as practicable, and with no maturity longer than the original maturity schedule; provided that any principal payments originally scheduled under Section 2.02 herein as being due prior to one year after Substantial Completion of Construction shall first be deemed to be a purchase of the Bonds in order of maturity. Interest on the Loan commences on the day that the State approves a Disbursement Request and forwards such Disbursement Request to the Trustee for payment. In the event any Loan disbursement is made in excess of Eligible Costs, such excess disbursements shall be immediately paid by the Qualified Entity to the Trustee and may, subject to the terms and conditions set forth in this Agreement, be borrowed by the Qualified Entity.

Section 2.06. Acknowledgment of Amount of Loan; Final Disbursement. Within 30 days after any request by the State from time to time, the Qualified Entity shall execute and deliver to the State an acknowledgment in the form prescribed by the State which acknowledges the outstanding principal of and interest on the Bonds. Unless the State consents in writing, no Loan disbursement shall be made more than one year after Substantial Completion of Construction. After Substantial Completion of Construction, upon the request of the State, the Qualified Entity shall replace, at its expense, the Bonds with substitutes issued pursuant to the Authorizing Instrument to evidence the outstanding principal under the Loan.

(End of Article II)

STATE BUDGET AGENCY

By: _____
Betty Cockrum, State Budget Director

"Budget Agency"

Approved:

DEPARTMENT OF ADMINISTRATION

By: _____
Glenn Lawrence, Commissioner

Approved as to form and legality: *

ATTORNEY GENERAL OF THE STATE
OF INDIANA

- * By reference to a form contract approval made by Priscilla Keith, Special Services Section Chief, Office of the Attorney General, in correspondence addressed to Rich Emery, SRF Program Representative, dated February 15, 2000, pursuant to I.C. 4-13-2-14.3(e), this agreement is not required to be individually approved.

EXHIBIT A

State of Indiana
STATE WASTEWATER REVOLVING LOAN (SRF) PROGRAM
Indiana Government Center North
100 N. Senate Avenue, 12th Floor
P. O. Box 6015
Indianapolis, Indiana 46206-6015
(317) 232-8631

REQUEST FOR A DISBURSEMENT

The undersigned Authorized Representative of the Qualified Entity named in this Request, on behalf of such Qualified Entity, hereby (i) requests that the State make a Disbursement, or cause a Disbursement to be made, in accordance with this Request and (ii) directs that the State mail, or cause to be mailed, the Disbursement to the Qualified Entity or the Contractor named in this Request.

Instructions

1. This Request is applicable only to costs of the Qualified Entity's wastewater treatment works project eligible for financing from the State Wastewater Revolving Loan Fund (the "SRF").
2. Combine multiple bills from a single contractor on one request form.
3. Attach a copy of the claim (a bill, an invoice or a statement) underlying this Request.
4. Complete the required information and please answer all questions.
5. Indicate on this Request if the Qualified Entity has paid all or part of the Contractor's claim and is seeking reimbursement. Attach evidence that such payment was made and the date on which it was made.
6. Inquires related to the status of a Disbursement request must be directed to the Qualified Entity. The Qualified Entity can then contact this office for the information. Please contact your contractors about this policy.
7. Requested amounts must be rounded to the nearest whole dollar.
8. The Request must be typed.

DISBURSEMENT REQUEST INFORMATION

Community: _____

Project No.: CS _____

Mailing Address: _____

Request No.: _____

Contact Person: _____ Contact Phone No.: (____) _____

Community's Authorized Representative: _____

Authorized Representative's Phone No.: _____

Description of Work for which claim is being made (service, fees, type of, etc.): _____

<u>Contractor</u>	<u>Address</u>	<u>Amount Requested</u>
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	\$ _____
--	----------

Original Loan Amount	\$ _____
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Total Amount of Previous Disbursements	\$ _____
--	----------

<u>Amount of this Request</u>	\$ _____
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Balance Available after this Disbursement	\$ _____
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Is a portion of the claim underlying this Request subject to retainage under I.C. 36-1-12-14 or a similar law? YES ____ NO ____

If yes the retainage amount is	\$ _____
--------------------------------------	----------

Has the Qualified Entity paid the request and seeking reimbursement?	YES ____ NO ____
--	------------------

The undersigned hereby certifies that this Request is true and correct, that the claim underlying this Request is legally due (and is payable from the SRF) in accordance with the Financial Assistance Agreement with the State.

DATE: _____

SIGNATORY SIGNATURE

STATE AUTHORIZATION

The Department of Environmental Management finds \$_____ of the claim underlying this Request to be eligible SRF Costs to be disbursed as directed below.

The Program Representative hereby (i) authorizes Bank One Trust Company, NA, as trustee, to disburse the amount stated in the preceding sentence and (ii) directs that such amount be mailed to:

\$_____ the Contractor at the address identified on page 2.

\$_____ the Qualified Entity at the address identified on page 2.

DEPARTMENT OF ENVIRONMENTAL
MANAGEMENT

PROGRAM REPRESENTATIVE

By:_____

By:_____

Date:_____

Date:_____

Trustee Certification

The undersigned, on behalf of Bank One Trust Company, NA, as trustee, hereby certifies that a Disbursement in the amount authorized by the State, together with a completed copy of this Request, was mailed on _____, 200_ to the party stated under "State Authorization" above. Further, a copy of this completed Request has been mailed to the Qualified Entity and the Department of Environmental Management.

BANK ONE TRUST COMPANY, NA, as Trustee

Date:_____

By: _____
Authorized Officer

EXHIBIT B

PROJECT DESCRIPTION

The Project will expand the capacity of the Elden Kuehl Pollution Control facility to 9.0 MGD average flow and 18.0 MGD peak flow. Much of the existing equipment will be replaced with new, more efficient equipment.

The Project includes the following elements: modification of the CSO basins to provide flow-through treatment of excess wet weather flow that would otherwise be discharged to Salt Creek without treatment, and installation of a horizontal bar screen over a proposed weir into a channel that will discharge into the existing CSO outfall; replacement of the existing mechanically-cleaned bar screen and manually-cleaned bar screen with two climber-type mechanically-cleaned screens (screenings will be discharged into a screening press which will compress, dewater, and convey the screenings to dumpster for landfill disposal); replacement of the grit dewatering equipment with new grit cyclones and classifiers (dewatered grit will be discharged into a dumpster for landfill disposal); expansion/upgrade of the influent lift station (to include replacement of the three influent pumps, motors, and controls with four new pumps and motors [two 5 MGD units and two 8 MGD units] with variable frequency drives and programmable controllers; expansion of the wet well; upgrade of the electrical and HVAC system; and replacement of the existing inoperable magnetic meter with a larger magnetic flow meter); discontinuing the practice of pumping scum to the digesters; replacement of the scum pumps; installation of mixing equipment (to keep scum and liquid blended); new scum concentration facilities in the expanded upper level of the influent lift station; a new septage receiving station; expansion/upgrade of the primary clarifiers (to include modification of the primary clarifier distribution box); demolition of the metal laboratory portion of the Laboratory Building including its lower level (women's locker room and two offices, which will be relocated) in order to make a room for clarifier additions; additions to increase the length of three primary clarifiers to 75 feet and installation of new chain-and-flight sludge collector mechanisms; replacement of the rotary skimmer and a portion of the scum piping; replacement of the primary progressive cavity sludge pumps with vortex sludge pumps; and improvement of the primary sludge withdrawal system; conversion of the two-stage nitrification system to a single-stage system (to include minor modification to the existing aeration tanks; replacement of the existing positive displacement blowers with multi-stage centrifugal motor-driven blowers); demolition of the intermediate screw pumps; upgrade of secondary clarifiers (to include demolition of six secondary clarifiers; construction of two 7-foot diameter center-feed circular clarifiers; new sludge collection equipment and density current baffles in the tertiary clarifiers [to be converted to secondary clarifiers]; addition of variable frequency drives to all 12 return activated sludge (RAS) pumps for the north clarifiers; and installation of five new RAS pumps with variable frequency drives for south clarifiers); provisions of additional chemical feed points for phosphorous removal at the influent to the south aeration tanks and at the aerated grit tanks; replacement of the effluent filter media and the current filter control system with a new control system; installation of an ultraviolet light disinfection system to replace the chlorination-dechlorination system; installation of a small liquid sodium hypochlorite system to chlorinate filter effluent (used in the plant's non-potable water system or for RAS when there is a need for filamentous algae control); a new parshall flume effluent meter after UV disinfection; a new 35-foot diameter circular gravity thickener for primary sludge; replacement of the digester gas mixers with external draft tube mechanical mixers; retrofitting the burners and gas train to the

boilers to be fueled by either digester gas or natural gas; construction of two new circular biosolids storage tanks to replace lagoons for temporary storage and a biosolids loading station (ultimate disposal of biosolids will continue to be liquid land application on farm land); replacement of the existing automation and control system with a new SCADA system with a series of networked programmable controllers at key process areas throughout the plant; installation of a new telemetry system to monitor the status of 14 to 16 remote sewage pump stations; construction of a new laboratory building; expansion of the control building to provide additional offices (the vacated old laboratory building will be remodeled to provide a local control room, a women's locker room, and an employee lunch room); rehabilitation and expansion of the maintenance building to accommodate a break room and a locker room/rest room for the maintenance staff; installation of a new co-generation facility (to include two digester-gas-fired engine generators and a jacket water and exhaust recovery system) in the existing vacuum filter building; automatic samplers; miscellaneous yard piping; and road, sidewalks and parking, etc.

The Project is more fully described in, and shall be in accordance with, the Preliminary Engineering Report and the Plans and Specifications approved by the Department.

EXHIBIT C
Principal Payment Schedule

<u>Date</u>	<u>Principal Amount</u>
2/1/2002	
8/1/2002	
2/1/2003	
8/1/2003	
2/1/2004	
8/1/2004	
2/1/2005	
8/1/2005	
2/1/2006	
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8/1/2018	
2/1/2019	
8/1/2019	
2/1/2020	
8/1/2020	
2/1/2021	
8/1/2021	
Total	

[Subject to State's approval, this information is to be supplied by
the Qualified Entity's Financial Advisor prior to Closing.]