ORDINANCE NO. 51, 2006

AN ORDINANCE OF THE COMMON COUNCIL OF THE CITY OF VALPARAISO, INDIANA, AUTHORIZING THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE CITY'S SEWAGE WORKS, THE ISSUANCE AND SALE OF ADDITIONAL REVENUE BONDS TO PROVIDE FUNDS FOR THE PAYMENT OF THE COSTS THEREOF, AND THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SUCH SEWAGE WORKS AND OTHER RELATED MATTERS

WHEREAS, the City of Valparaiso, Indiana (the "City"), owns and operates a sewage works by and through its Utilities Board (the "Board") for the collection and treatment of sewage and other wastes (the "Sewage Works"), pursuant to the provisions of Indiana Code 36-9-23, as amended (the "Act"); and

WHEREAS, the Board has determined and recommended to the Common Council of the City (the "Common Council") that certain additions, extensions and improvements to the Sewage Works, as described herein, are necessary; and

WHEREAS; as such, the City has employed Malcolm Pirnie, Indianapolis, Indiana and DLZ, South Bend, Indiana (the "Consulting Engineers and Architects"), to prepare and file plans, specifications, and detailed descriptions and estimates of the costs of the necessary improvements and extensions to the Sewage Works, which plans, specifications, descriptions and estimates, to the extent required by law, have been duly submitted to and approved or will be approved by all governmental authorities having jurisdiction thereover (the improvements and extensions to the Sewage Works as described in the Consulting Engineers and Architects' plans

and specifications and below are referred to herein as the "Project"), including, without limitation, the Indiana Department of Environmental Management (the "Department"); and

WHEREAS, the Common Council finds that the estimates prepared and delivered by the Consulting Engineers and Architects with respect to the costs (as defined in Indiana Code 36-9-23-11) of acquisition and installation of such improvements and extensions to the Sewage Works (as defined in Indiana Code 36-9-1-8, as amended, and in the Act), and including all authorized costs relating thereto, including the costs of issuance of bonds on account of the financing of all or a portion thereof, will be in the estimated amount of Eleven Million and 00/100 Dollars ($11,000,000.00); and

WHEREAS, the Common Council finds that to provide funds necessary to pay for the costs of the Project, it will be necessary for the City to issue sewage works revenue bonds in an amount not to exceed Eleven Million and 00/100 Dollars ($11,000,000.00); and

WHEREAS, pursuant to Ordinance No. 43-2000, adopted by the Common Council on November 27, 2000 (the "2000 Bond Ordinance"), the City has heretofore issued revenue bonds payable from the net revenues of the Sewage Works, designated "Sewage Works Revenue Bonds of 2000" (the "2000 Bonds"), outstanding after August 1, 2006, in the amount of $14,326,000, bearing interest at various rates and maturing in various amounts serially on February 1 and August 1 in the years 2006 to and including February 1, 2021; and

WHEREAS, Section 18 of the 2000 Bond Ordinance permits the issuance additional bonds payable from revenues of the Sewage Works ranking on a parity with the 2000 Bonds for the purpose of financing the costs of future additions, extensions and improvements to the Sewage Works, so long as certain conditions are met; and

WHEREAS, the Common Council now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of revenue bonds on a parity basis to the 2000 Bonds to provide the necessary funds to be applied to the costs of the Project and all authorized costs relating thereto, have been or will be complied with in accordance with the provisions of the Act and the 2000 Bond Ordinance; and

WHEREAS, the Common Council therefore seeks to authorize the issuance of revenue bonds to finance the acquisition and installation of the Project pursuant to the Act and the sale of one (1) or more series of such revenue bonds at public sale pursuant to the provisions of Indiana Code 5-1-11, subject to and dependent upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF VALPARAISO, INDIANA, AS FOLLOWS:

Section 1. Acquisition and Installation of the Project. The City, acting by and through the Board and as the owner and operator of the Sewage Works for the collection and treatment of sewage and other wastes, hereby orders, authorizes and directs the Board to proceed with the acquisition, construction and installation of additions, extensions and improvements to the Sewage Works, pursuant to the Act and in accordance with the plans, specifications and cost estimates prepared and filed with the Board by the Consulting Engineers and Architects, which plans, specifications and cost estimates are hereby adopted and approved and, by reference, incorporated fully into this Ordinance, and two (2) copies of which are now on file in the office of the Board and are open for public inspection. The actions of the Board in connection with the

acquisition, installation, and financing of such improvements to the Sewage Works are hereby authorized, approved, ratified and confirmed.

Where used in this Ordinance, the term "City" shall be construed also to include any department, board, commission or officer or officers of the City or of any City department, board or commission. The terms "Sewage Works," "sewage works," "works" and similar terms used in this Ordinance shall be construed to mean and include the existing structures and property of the Sewage Works and all enlargements, improvements, extensions and additions thereto, and replacements thereof, now or subsequently constructed or acquired, from the proceeds of the bonds authorized herein or otherwise. Such improvements and extensions shall be constructed and the bonds herein authorized shall be issued pursuant to the provisions of this Ordinance and the Act.

Section 2. Description of the Project. In summary, the Project is described at Appendix A attached hereto and incorporated herein.

The City, acting by and through the Board, shall proceed with the acquisition, construction and installation of the Project and shall enter into all contracts necessary or appropriate for such purpose, in conformity with and subject to the requirements and conditions set forth in this Ordinance and in the Act and in accordance with the plans and specifications previously prepared for and on behalf of the City.

Section 3. The Bonds. In accordance with the Act and for the purpose of providing funds with which to pay the costs of the Project, together with all authorized costs relating thereto including the costs of issuance of the Bonds, as hereinafter defined, on account thereof, the City shall issue and sell its sewage works revenue bonds in the aggregate principal

amount not to exceed Eleven Million and 00/100 Dollars ($11,000,000.00). The principal of, redemption premium, if any, and interest on the Bonds shall be payable, on a parity basis with the 2000 Bonds, solely out of the Sewage Works Sinking Fund referred to below.

The Bonds shall be issued in one (1) series designated as the "City of Valparaiso, Indiana, Sewage Works Revenue Bonds, Series 2007" (the "Bonds"). The Bonds shall be issued as fully registered bonds in denomination or denominations of Five Thousand Dollars ($5,000) and any integral multiples thereof not exceeding the aggregate principal amount of such Bonds maturing in any one (1) year. The Bonds shall be numbered consecutively from 07R-1 upward and shall bear interest at a rate not exceeding six and one-half percent (6.50%) per annum, the exact rate or rates to be determined by bidding. Said interest rate or rates shall be in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%). All Bonds maturing on the same date shall bear the same rate of interest, and the interest rate on Bonds of a given maturity must be at least as great as the interest rate on Bonds of any earlier maturity. Interest on the Bonds shall be calculated on the basis of twelve (12) thirty (30)-day months for a three hundred and sixty (360)-day year and shall be payable semiannually on February 1 and August 1 in each year (each an "Interest Payment Date"), commencing on the first February 1 or August 1 following the original date of the Bonds or such later date as determined by the Clerk-Treasurer of the City (the "Clerk-Treasurer"), with the advice of the City's financial advisor and as set forth in the Issuer's Certificate (defined herein), until principal is fully paid. The principal of the Bonds shall mature serially and semi-annually on February 1 and August 1 of each year, beginning not earlier than August 1, 2009, and ending not later than February 1, 2029 in such amounts that will produce as level annual debt service as practicable, and in the years and amounts to be

determined by the Clerk-Treasurer with the advice of the City's financial advisor prior to the publication of the notice of intent to sell bonds referred to herein and set forth in a certificate of the City to be executed and attested by the Mayor and the Clerk-Treasurer, respectively, prior to the sale of the Bonds (the "Issuer's Certificate").

The Bonds shall bear an original issue date which shall be the date of issuance of the Bonds and each Bond shall also bear the date of its authentication. Any Bond authenticated on or before the fifteenth (15th) day of the calendar month immediately preceding the first Interest Payment Date, shall pay interest from its original issue date. Any Bond authenticated thereafter shall pay interest from the Interest Payment Date next preceding the date of authentication of such Bond to which interest thereon has been paid or duly provided for, unless such Bond is authenticated after the day which is fifteen (15) days prior to the Interest Payment Date and on or before such Interest Payment Date, in which case interest thereon shall be paid from such Interest Payment Date.

The Clerk-Treasurer is hereby authorized to appoint a registrar and a paying agent for the Bonds (the "Registrar" and the "Paying Agent" and, in both such capacities, the "Registrar and Paying Agent"). The Registrar and Paying Agent shall be charged with and shall by appropriate agreement undertake the performance of all of the duties and responsibilities customarily associated with each such position, including without limitation the authentication of the Bonds. The Clerk-Treasurer is authorized and directed to enter into such agreements and understandings with the Registrar and Paying Agent and any subsequent Registrar and Paying Agent as will enable and facilitate the performance of its duties and responsibilities, and is authorized and directed to pay such fees as the Registrar and Paying Agent may reasonably

charge for its services in such capacity, and such fees may be paid from the Bond and Interest Account of the Sewage Works Sinking Fund created under the 2000 Bond Ordinance and continued by this Ordinance.

The Registrar and Paying Agent may at any time resign as Registrar and Paying Agent upon giving thirty (30) days' notice in writing to the City and by first-class mail to each registered owner of the Bonds then outstanding, and such resignation will take effect at the end of such thirty (30) days or upon the earlier appointment of a successor Registrar and Paying Agent by the City. Any such notice to the City may be served personally or sent by certified mail. The Registrar and Paying Agent may also be removed at any time as Registrar and Paying Agent by the City, in which event the City may appoint a successor Registrar and Paying Agent. The City shall notify each registered owner of Bonds then outstanding by first-class mail of the removal of the Registrar and Paying Agent. Notices to registered owners of the Bonds shall be deemed to be given when mailed by first-class mail to the addresses of such registered owners as they appear on the registration books kept by the Registrar. Any predecessor Registrar and Paying Agent shall deliver all of the Bonds and cash in its possession with respect thereto, together with the registration books, to the successor Registrar and Paying Agent. The Clerk-Treasurer is hereby authorized to act on behalf of the City with regard to any of the aforementioned actions of the City relating to the resignation or removal of the Registrar and Paying Agent and appointment of a successor Registrar and Paying Agent.

The Bonds shall, in compliance with all applicable laws, be issued and held in book-entry form on the books of the central depository system, The Depository Trust Company, its successors, or any successor central depository system appointed by the City from time to

time (the "Clearing Agency"). The City and the Registrar and Paying Agent may, in connection therewith, do or perform or cause to be done or performed any acts or things not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to accomplish or recognize such book-entry form Bonds.

During any time that the Bonds are held in book-entry form on the books of a Clearing Agency (1) any such Bond may be registered upon the books kept by the Registrar and Paying Agent in the name of such Clearing Agency, or any nominee thereof, including CEDE & Co., as nominee of The Depository Trust Company; (2) the Clearing Agency in whose name such Bond is so registered shall be, and the City and the Registrar and Paying Agent may deem and treat such Clearing Agency as, the absolute owner and holder of such Bond for all purposes of this Ordinance, including, without limitation, the receiving of payment of the principal of and interest on such Bond, the receiving of notice, and the giving of consent; (3) neither the City nor the Registrar and Paying Agent shall have any responsibility or obligation hereunder to any direct or indirect participant, within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended, of such Clearing Agency, or any person on behalf of which, or otherwise in respect of which, any such participant holds any interest in any Bond, including, without limitation, any responsibility or obligation hereunder to maintain accurate records of any interest in any Bond or any responsibility or obligation hereunder with respect to the receiving of payment of principal, premium, if any, or interest on any Bond, the receiving of notice, or the giving of consent; (4) the Clearing Agency is not required to present any Bond called for partial redemption prior to receiving payment so long as the Registrar and Paying Agent and the Clearing Agency have agreed to the method for noting such partial redemption; and (5) payment

of the principal of and interest on the Bonds may be made by wire transfer or other method acceptable to the Clearing Agency.

If either (i) the City receives notice from the Clearing Agency which is currently the registered owner of the Bonds to the effect that such Clearing Agency is unable or unwilling to discharge its responsibility as a Clearing Agency for the Bonds or (ii) the City elects to discontinue its use of such Clearing Agency as a Clearing Agency for the Bonds, then the City and the Registrar and Paying Agent each shall do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to discontinue use of such Clearing Agency as a Clearing Agency for the Bonds and to transfer the ownership of each of the Bonds to such person or persons, including any other Clearing Agency, as the holder of the Bonds may direct in accordance with this Ordinance. Any expenses of such discontinuance and transfer, including expenses of printing new certificates to evidence the Bonds, shall be paid by the City.

During any time that the Bonds are held in book-entry form on the books of a Clearing Agency, the Registrar and Paying Agent shall be entitled to request and rely upon a certificate or other written representation from the Clearing Agency or any participant or indirect participant with respect to the identity of any beneficial owners of the Bonds as of a record date selected by the Registrar and Paying Agent. For purposes of determining whether the consent, advice, direction or demand of a Registered Owner of the Bonds has been obtained, the Registrar and Paying Agent shall be entitled to treat the beneficial owners of the Bonds as the holders of the Bonds.

During any time that the Bonds are held in book-entry form on the books of a Clearing Agency, the Clerk-Treasurer or the Mayor is each authorized to enter into a Blanket Letter of Representations agreement with the Clearing Agency, and the provisions of any such Letter of Representations or any successor agreement shall control on the matters set forth herein.

Principal of and any redemption premium on the Bonds shall be payable at the principal corporate trust office of the Paying Agent. Interest on the Bonds shall be paid by check or draft mailed or delivered by the Paying Agent to the registered owner thereof at the address as it appears on the registration books kept by the Registrar as of the fifteenth (15th) day of the month immediately preceding the Interest Payment Date or at such other address as may be provided to the Paying Agent in writing by such registered owner. So long as the Clearing Agency or its nominee is the registered owner of the Bonds, interest on, together with the principal of and any redemption premium on, the Bonds will be paid directly to the Clearing Agency by wire transfer in same day funds by the Registrar and Paying Agent. All payments on the Bonds shall be made in any coin or currency of the United States of America which, on the dates of such payments, shall be legal tender for the payment of public or private debt.

Each Bond shall be transferable or exchangeable only on the books of the City maintained for such purpose at the principal corporate trust office of the Registrar, by the registered owner thereof in person, or by his or her 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 his or her 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. Each Bond may be transferred or exchanged without cost to the registered owner, except for any tax or other governmental charge which may be required to be paid with respect to such transfer or exchange. The Registrar shall not be obligated to make any transfer or exchange of any Bond (i) during the fifteen (15) days immediately preceding an Interest Payment Date or (ii) after the mailing of notice calling such Bond for redemption. The City, the Registrar and the Paying Agent may treat and consider the person in whose name any Bond is registered as the absolute owner thereof for all purposes including the purpose of receiving payment of, or on account of, the principal thereof, and redemption premium, if any, and interest thereon.

In the event any Bond is mutilated, lost, stolen or destroyed, the City may cause to be executed and the Registrar may authenticate a new Bond of like date, maturity, series and denomination as the mutilated, lost, stolen or destroyed Bond, which new Bond shall be marked in a manner to distinguish it from the Bond for which it was issued; provided, that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any lost, stolen or destroyed Bond there shall be first furnished to the Registrar evidence of such loss, theft or destruction satisfactory to the City and the Registrar, together with indemnity satisfactory to them. In the event that any such mutilated, lost, stolen or destroyed Bond shall have matured or been called for redemption, instead of causing to be issued a duplicate Bond, the Registrar and Paying Agent may pay the same upon surrender of the mutilated Bond or upon satisfactory indemnity and proof of loss, theft or destruction in the case of a lost, stolen or destroyed Bond. The City and the Registrar and Paying Agent may charge the

owner of any such Bond with their reasonable fees and expenses in connection with the above. Every substitute Bond issued by reason of any Bond being lost, stolen or destroyed shall, with respect to such Bond, constitute a substitute contractual obligation of the City pursuant to this Ordinance, whether or not the lost, stolen or destroyed Bond shall be found at any time, and shall be entitled to all the benefits of this Ordinance, equally and proportionately with any and all other Bonds duly issued hereunder.

In the event that any Bond is not presented for payment or redemption on the date established therefor, the City may deposit in trust with the Paying Agent an amount sufficient to pay such Bond or the redemption price thereof, as appropriate, and thereafter the owner of such Bond shall look only to the funds so deposited in trust with the Paying Agent for payment and the City shall have no further obligation or liability with respect thereto.

Section 4. Redemption of the Bonds.

(a) Optional Redemption. The Bonds, maturing on or after February 1, 2016, shall be subject to redemption at the option of the City, in whole or in part, upon thirty (30) days written notice, to the registered owner or owners of Bonds to be redeemed, on any date on or after August 1, 2015, in principal amounts and maturities selected by the City and by lot within any such maturity or maturities as set determined by the Registrar and Paying Agent, at a redemption price equal to the principal amount of each bond to be redeemed plus accrued interest to the redemption date and without premium.

Official notice of such redemption shall be mailed by the Registrar and Paying Agent by certified or registered mail at least thirty (30) days and not more than

sixty (60) days prior to the scheduled redemption date to each of the registered owners of the Bonds called for redemption (unless waived by any such registered owner) at the address shown on the registration books of the Registrar and Paying Agent, or at such other address as is furnished in writing by such registered owner to the Registrar; provided, however, that failure to give such notice by mailing, or any defect therein, with respect to any Bond shall not affect the validity of the proceedings for the redemption of any other Bonds. The notice shall specify the redemption price, the date and place of redemption, and the registration numbers (and, in case of partial redemption, the respective principal amounts) of the Bonds called for redemption. The place of redemption may be at the principal corporate trust office of the Registrar and Paying Agent or as otherwise determined by the City. Interest on the Bonds (or portions thereof) so called for redemption shall cease to accrue 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 redemption date and when such Bonds (or portions thereof) are presented for payment. Any Bond redeemed in part may be exchanged for a Bond or Bonds of the same maturity in authorized denominations equal to the remaining principal amount thereof.

In addition to the foregoing notice, the City may also direct that further notice of redemption of the Bonds be given, including without limitation and at the option of the City, notice described in paragraph (i) below given by the Registrar and Paying Agent to the parties described in paragraphs (ii) and (iii) below. No defect in any such further notice and no failure to give all or any portion of any such further notice

shall in any manner defeat the effectiveness of any call for redemption of Bonds so long as notice thereof is mailed as prescribed above.

(i) If so directed by the City, each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed.

(ii) If so directed by the City, each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company of New York, New York, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds such as Financial Information, Inc.'s Financial Daily Called Bond Service, Kenny Information Service's Called Bond Service, Moody's Municipal and Government News Reports and Standard & Poor's Called Bond Record).

(iii) If so directed by the City, each such further notice shall be published one time in The Bond Buyer of New York, New York or, if the

Registrar believes such publication is impractical or unlikely to reach a substantial number of the holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least sixty (60) days prior to the date fixed for redemption.

Upon the payment of the redemption price of the Bonds (or portions thereof) being redeemed and if so directed by the City, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds (or portions thereof) being redeemed with the proceeds of such check or other transfer.

(b) Mandatory Sinking Fund Redemption. The Bonds may be subject to mandatory sinking fund redemption as set forth herein. At the option of the successful bidder for the Bonds, all or a portion of the Bonds may be aggregated into one or more term bonds payable from mandatory sinking fund redemption payments (the "Term Bonds") required to be made as set forth below. The Term Bonds shall have a stated maturity or maturities on February 1 and August 1 of the years in which the Bonds are outstanding as determined pursuant to Section 3 hereof or as determined by the successful bidder.

In the event that the successful bidder opts to aggregate certain Bonds into Term Bonds, such Term Bonds shall be subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, but without premium, on February 1 and

August 1 of each year and in the principal amounts corresponding to and consistent with the maturity schedule for the Bonds set forth in the bond sale notice.

The Registrar and Paying Agent shall credit against the current mandatory sinking fund requirement for a Term Bond of a particular maturity, any Bonds of such maturity delivered to the Registrar and Paying Agent for cancellation or purchased for cancellation by the Registrar and Paying Agent and cancelled by the Registrar and Paying Agent and not theretofore applied as a credit against any mandatory sinking fund requirement. Each Bond so delivered or purchased shall be credited by the Registrar and Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund redemption requirements for the applicable Term Bond in order of mandatory sinking fund redemption (or final maturity) dates determined by the Clerk-Treasurer, and the principal amount of such Term Bond to be redeemed on such mandatory sinking fund redemption dates by operation of the mandatory sinking fund requirements shall be reduced accordingly; provided, however, the Registrar and Paying Agent shall only credit Bonds against the mandatory sinking fund requirements to the extent such Bonds are received on or before 45 days preceding the applicable mandatory sinking fund redemption date.

The Registrar shall determine by lot (treating each $5,000 principal amount of each Bond as a separate Bond for such purpose) the Bonds within a Term Bond of a particular maturity to be redeemed pursuant to the mandatory sinking fund redemption requirements on February 1 and August 1 of each year.

Notice of any such mandatory sinking fund redemption shall be given in the same manner as notice of optional redemption is required to be given pursuant to this Section 4 of this Ordinance. If 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.

In the event any of the Bonds are issued as Term Bonds, the form of the Bond set forth in Appendix B to this Ordinance shall be modified accordingly.

Any reference to payment of principal on the Bonds shall include payment of scheduled mandatory sinking fund redemption payments described in this Section 4.

Section 5. Execution and Authentication of the Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signature of the Mayor of the City (the "Mayor") and attested by the manual or facsimile signature of the Clerk-Treasurer of the City (the "Clerk-Treasurer"), who shall cause the seal of the City or a facsimile thereof to be affixed to each of the Bonds. The Bonds shall be authenticated by the manual signature of the Registrar, and no Bond shall be valid or become obligatory for any purpose until the certificate of authentication thereon has been so executed. In case any official whose signature appears on any Bond shall cease to be such official before the delivery of such Bond, the signature of such official shall nevertheless be valid and sufficient for all purposes, the same as if such official had been in office at the time of such delivery. Subject to the provisions of this Ordinance regarding the registration of the Bonds, the Bonds shall be fully negotiable instruments under the laws of the State of Indiana.

Section 6. Security and Sources of Payment for the Bonds. The Bonds, when fully paid for and delivered to the purchaser thereof as to both principal and interest, shall be valid and binding special revenue obligations of the City, payable solely from and secured by an irrevocable pledge of and constituting a charge upon all of the net revenues (herein defined as gross revenues after deduction only for the payment of the reasonable expenses of operation, repair and maintenance) derived from the Sewage Works, including all such net revenues from the existing works, the Project and all additions and improvements thereto and replacements thereof subsequently constructed or acquired, to be set aside into the Sewage Works Sinking Fund as herein provided and shall rank on a parity with the 2000 Bonds. The City shall not be obligated to pay the Bonds or the interest thereon except from the net revenues of the Sewage Works, and the 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.

Section 7. Form of the Bonds. The form and tenor of the Bonds shall be substantially as set forth in Appendix B attached hereto and incorporated herein as if set forth at this place (with all blanks to be filled in properly and all necessary additions and deletions to be made prior to the delivery thereof).

Section 8. Issuance, Sale and Delivery of the Bonds.

(a) Generally. The Clerk-Treasurer is hereby authorized and directed to have the Bonds prepared, and the Mayor and the Clerk-Treasurer are each hereby authorized and directed to execute, and attest as appropriate, the Bonds in the form and manner herein provided. The Clerk-Treasurer is hereby authorized and directed to deliver the Bonds to the purchaser or purchasers thereof after sale made and in

accordance with the provisions of the Act and this Ordinance, provided that at the time of said delivery the Clerk-Treasurer shall collect the full amount which the purchaser or purchasers have agreed to pay therefor, which shall be not less than ninety-nine percent (99%) of the par amount of the Bonds (or such higher percentage of the par value of the Bonds as the Clerk-Treasurer, with the advice of the financial advisor of the City, shall determine) plus accrued interest thereon to the date of delivery. The proceeds derived from the sale of the Bonds shall be and are hereby set aside for application to the costs of the Project, and including all authorized costs relating thereto, including the costs of issuance of the Bonds. The authorized officers of the City are hereby authorized and directed to draw all proper and necessary warrants and to do whatever other acts and things that may be necessary or appropriate to carry out the provisions of this Ordinance.

(b) Sale of the Bonds. The Bonds shall be sold by public sale. Prior to the sale of the Bonds, the Clerk-Treasurer shall cause to be published a notice of intent to sell two times at least one week apart in The Times, the Post-Tribune and the Court and Commercial Record. The notice of such sale or a summary thereof may also be published in The Bond Buyer, a financial journal published in the City and State of New York and/or in other publications, in the discretion of the Clerk-Treasurer. The notice must state that any person interested in submitting a bid for the Bonds may furnish in writing, at the address set forth in the notice, the person's name, address, and telephone number, and that any such person may also furnish a telex number. The notice must also state: (1) the amount of the Bonds to be offered; (2) the denominations; (3) the dates of maturity; (4) the maximum rate or rates of interest; (5) the place of sale; and (6) the time

within which the name, address and telephone number must be furnished, which time must not be less than seven (7) days after the last publication of the notice. Each person so registered shall be notified of the date and time bids will be received not less than twenty-four (24) hours before the date and time of sale. The notification shall be made by telephone at the number furnished by the person, and also by telex if the person furnishes a telex number. Such notice may also include such other information as the Clerk-Treasurer shall deem necessary. Such notice shall also provide, among other things, that each bid shall be accompanied by a certified or cashier's check or financial surety bond in an amount equal to one percent (1%) of the principal amount of the Bonds to guarantee performance on the part of the bidder, and that in the event the successful bidder shall fail or refuse to accept delivery of and pay for the Bonds as soon as the Bonds are ready for delivery, or at the time fixed in the notice of intent to sell, then such check or financial surety bond and the proceeds thereof shall become the property of the City and shall be considered as the City's liquidated damages on account of such default.

All bids for the Bonds shall be sealed and shall be presented to Umbaugh, the financial advisor to the City (the "Financial Advisor"), at the office of the Financial Advisor for and on behalf of the City or electronically to the Financial Advisor, and the Financial Advisor shall continue to receive all bids offered until the time fixed for the sale of the Bonds, at which time and place the Financial Advisor shall open and consider each bid. Bidders for the Bonds shall be required to name the rate or rates of interest which the Bonds are to bear, not exceeding six and one half percent (6.5%) per annum. Such interest rate or rates shall be in multiples of one-eighth (1/8) or one-twentieth (1/20)

of one percent (1%). Bids specifying more than one interest rate shall also specify the amount and maturities of the Bonds bearing each rate, and all Bonds maturing on the same date shall bear the same rate of interest. The interest rate on Bonds of a given maturity must be at least as great as the interest rate on Bonds of any earlier maturity. Subject to the provisions set forth below, the Clerk-Treasurer shall award the Bonds to the bidder offering the lowest net interest cost to the City, to be determined by computing the total interest on all of the Bonds from the date thereof to their maturities and deducting therefrom the premium bid, if any, or adding thereto the amount of any discount. No bid for less than 99% of the par value of the Bonds (or such higher percentage of the par value of the Bonds as the Clerk-Treasurer, with the advice of the Financial Advisor, shall determine prior to the publication of the notice of intent to sell), plus accrued interest at the rate or rates named to the date of delivery, will be considered. The Clerk-Treasurer shall have full right to reject any and all bids. In the event no acceptable bid is received at the time fixed for the sale of the Bonds, the Clerk-Treasurer shall be authorized to continue to receive bids from day to day thereafter for a period not to exceed thirty (30) days, without readvertising, pursuant to Indiana law.

The Clerk-Treasurer is hereby authorized to determine, in her discretion, to sell the Bonds pursuant to the general provisions of Indiana Code 5-1-11 (rather than Section 2(b) thereof), and in the event of such a determination, those portions of this Section 8 which conflict with such provisions shall be deemed inapplicable.

(c) Credit Enhancement; Opinion of Bond Counsel. Prior to the delivery of the Bonds, the Mayor, subject to the direction of the Common Council,

(i) shall be authorized to investigate, negotiate and obtain bond insurance, other forms of credit enhancement and/or credit ratings on Bonds and (ii) shall obtain a legal opinion as to the validity of the Bonds from Baker & Daniels LLP, South Bend, Indiana, bond counsel for the City, with such opinion to be furnished to the purchaser of the Bonds at the expense of the City. The costs of obtaining any such insurance, other credit enhancement and/or credit ratings, together with bond counsel's fee in preparing and delivering such opinion and in the performance of related services in connection with the issuance, sale and delivery of the Bonds, shall be considered as a part of the cost of the Project and shall be paid out of the proceeds of the Bonds.

Section 9. Disposition of Proceeds of the Bonds; City of Valparaiso, Sewage Works Construction Account. The proceeds from the sale of the Bonds shall be deposited and applied as follows:

(a) The accrued interest and any premium received at the time of delivery of the Bonds or any unused discount shall be deposited in the Sewage Works Sinking Fund continued by this Ordinance.

(b) An amount equal to the Reserve Requirement (defined herein) shall be deposited in the Reserve Account (defined herein).

(c) The remaining proceeds from the sale of the Bonds shall be deposited in a bank or banks which are legally qualified depositories for the funds of the City, in the special account to be designated as "City of Valparaiso, Sewage Works Construction Account" (the "Construction Account"). Amounts in the Construction Account shall be expended only for the purpose of paying the costs of the Project, as

described in the Ordinance and in the Act, together with all authorized costs relating thereto, including reimbursement for preliminary expenditures and paying the costs of issuance of the Bonds, and as otherwise permitted or required by the Act. Any balance or balances remaining unexpended in the Construction Account after completion of the Project, which are not required to meet unpaid obligations incurred in connection with the acquisition and installation of the Project, shall be used solely for one or more of the purposes permitted under the provisions of Indiana Code 5-1-13, as amended. Pursuant to the Act, the owners of the Bonds shall be entitled to a lien on the proceeds of the Bonds until such proceeds are applied as required by this Ordinance and by Indiana law.

Section 10. Segregation and Application of Sewage Works Revenues. All revenues derived from the operation of the Sewage Works and from the collection of sewage rates and charges shall be deposited in a special fund of the City continued by the 2000 Bond Ordinance and continued further hereby (the "Revenue Fund") and segregated and kept separate and apart from all other funds and bank accounts of the City. Out of said revenues the proper and reasonable expenses of operation, repair and maintenance of the Sewage Works shall be paid, the principal and interest of all bonds and fiscal agency charges of bank paying agents shall be paid, and the costs of replacements, extensions, additions and improvements shall be paid as hereinafter provided. On the last day of each month, a sufficient amount of moneys shall be transferred from the Revenue Fund to the Operation and Maintenance Fund continued by the 2000 Bond Ordinance and continued further hereby (the "O & M Fund") to pay the expenses of operation, repair and maintenance of the Sewage Works for the next succeeding two (2) calendar months. The moneys credited to the O & M 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, but none of the moneys in said O & M Fund shall be used for depreciation, replacements, improvements, extensions or additions. Any balance in said O & M Fund in excess of the expected expenses of operation, repair and maintenance for the next succeeding two (2) calendar months may be transferred to the Sewage Works Sinking Fund if necessary to prevent a default in the payment of principal of or interest on any outstanding bonds.

Section 11. Sewage Works Sinking Fund. The special fund designated the "Sewage Works Sinking Fund," continued under the 2000 Bond Ordinance is hereby continued and designated as the special fund for the payment of the interest on and principal of the Bonds and the payment of any fiscal agency charges in connection with the payment of the Bonds and interest thereon. There shall be set aside and paid into the 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 of the Debt Service Reserve Account hereby continued in said Sinking Fund. Such payments shall continue until the balance in the Bond and Interest Account, plus the balance of the Reserve Account hereinafter described, equals the amount needed to redeem all of the then outstanding bonds.

(a) Bond and Interest Account. There is hereby continued, within said Sinking Fund, the Bond and Interest Account and there shall be set aside and paid into said Account monthly, on the last day of each month as available, an amount equal to at least one-sixth (1/6) of the interest and at least one-sixth (1/6) of the principal on all then outstanding bonds payable from the Sinking Fund on the then next succeeding interest

and principal payment date, until such time as said Bond and Interest Account shall equal the interest payable during the next succeeding six (6) calendar months.

There shall similarly be credited to the account any amount necessary to pay the bank fiscal agency charges for paying principal and interest on the bonds as the same become payable. The City shall, from the sums deposited in the Sinking Fund and the funds in 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 principal and interest on the due dates thereof together with the amount of bank fiscal agency charges.

(b) Reserve Account. There is hereby continued, within the Sinking Fund, the Reserve Account ("Reserve Account"). The amount on deposit in the Reserve Account shall be equal to but not exceed the least of (i) the maximum annual principal and interest requirements of the 2000 Bonds, the Bonds issued hereunder and any parity bonds issued in the future by the City which are payable from the Net Revenues of the Sewage Works (the "Parity Bonds"), (ii) 125% of the average annual debt service on the 2000 Bonds, the Bonds issued hereunder and the Parity Bonds, or (iii) ten percent (10%) of the proceeds of the 2000 Bonds, the Bonds issued hereunder and the Parity Bonds plus a minor portion as defined in the Internal Revenue Code of 1986 (the "Reserve Requirement"). On the date of delivery of the Bonds, funds on hand of the Sewage Works, Bond proceeds or a combination thereof may be deposited in the Reserve Account to satisfy the Reserve Requirement. Alternatively, the Reserve Requirement, with respect to the Bonds, shall be deemed to be satisfied if there is on deposit in the Reserve Account any surety bond, insurance policy, guaranty, letter of credit or other

credit facility in any amount equal to such portion, the issuer of which credit facility is rated at least "AAA" by Standard & Poor's Ratings Group or "Aaa" By Moody's Investor Service. 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 (5) years of the date of delivery of the Bonds.

The Reserve Account shall constitute the margin for safety and a protection against default in the payment of principal of and interest on said Bonds, the 2000 Bonds and any Parity Bonds, and the moneys in the Reserve Account shall be used only to pay current principal and interest on said Bonds, the 2000 Bonds and any Parity Bonds to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiencies in credits to the Reserve Account shall be promptly made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. In the event moneys in the Reserve Account are transferred to the Bond and Interest Account to pay principal and interest on the Bonds or the 2000 Bonds, then such depletion of the balance in the Reserve Account shall be made up from the next available Net Revenues after the credits into the Bond and Interest Account hereinbefore provided for. The balance in the Reserve Account shall not exceed the Reserve Requirement and any excess herein generated by interest earnings shall be treated as revenues of the sewage works.

The Sinking Fund, as aforesaid, shall be used solely and only and is hereby pledged for the purpose of paying principal of and interest on the Bonds which by their terms are

payable from said fund. Upon the delivery of said Bonds and the receipt of the proceeds, all sums received as accrued interest and premium, if any, shall be placed in the Sinking Fund.

Section 12. Funding Improvements to the Sewage Works. In the event that all required payments into the O & M Fund and the Sinking Fund have been met to date, then any excess revenues of the Sewage Works available may be placed in the separate fund heretofore created and designated as the Sewage Works Improvement Fund and hereby continued (the "Sewage Works Improvement Fund"). Moneys in the Sewage Works Improvement Fund may be used to pay the costs of improvements, betterments, extensions, enlargements and additions to the Sewage Works. No revenues of the Sewage Works shall be deposited in or credited to the Sewage Works Improvement Fund which will interfere with the requirements of the Sinking Fund, the accumulation of the required reserve therein. All or any portion of the funds accumulated and reserved 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 or interest on the bonds payable from the Sinking Fund or to eliminate any deficiencies in credits to or minimum balance in the Reserve Account for the bonds issued hereunder. Moneys in the Sewage Works Improvement Fund also may be transferred to the O & M Fund to meet unforeseen contingencies in the operation, repair and maintenance of the Sewage Works.

Section 13. Investments of Funds; Books of Record and Accounts. The Sinking Fund shall consist of at least one (1) separate account of the City. The O & M Fund and the Sewage Works Improvement Fund may be maintained in one (1) 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 said

accounts shall be deposited, held, secured and invested as public funds in accordance with the public depository laws of the State of Indiana as now in effect or as hereinafter amended. The City shall keep proper books of record and accounts, separate from all of its other records and accounts, in which completed and correct entries shall be made showing all revenues collected from said works and deposited in said funds, and all disbursements made therefrom on account of the operation of the works, and to meet the requirements of the Sewage Works Sinking Fund, and all other financial transactions relating to said works, including the amounts set aside or credited to the Sinking Fund, the O & M Fund, and the Sewage Works Improvement Fund, and the cash balances in each of said funds and accounts described herein as of the close of the preceding fiscal year. There shall be prepared and furnished to the original purchaser of the Bonds, and, upon written request, to any owner of the Bonds at the time then outstanding, complete financial statements of the works, covering the preceding fiscal year, when the same become available following their completion by the State Board of Accounts, which annual statements shall be certified by the Clerk-Treasurer. Copies of all such statements and reports shall be kept on file in the office of the Clerk-Treasurer. Any owner or owners of the Bonds then outstanding of at least $25,000 in aggregate principal amount shall have the right at all reasonable times to inspect the works and all records, accounts and data of the City relating thereto. Such inspections may be made by representatives duly authorized by written instrument.

Section 14. Rates and Charges. The City covenants and agrees that it will establish and maintain just and equitable rates or charges for the use of and the services rendered by said 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 works

system of the City, or that in any way uses or is served by such sewage works, and that such rates or charges shall be sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the works, and for payment of the sums required to be paid into the Sinking Fund by said Act and this ordinance. Such rates and charges shall, if necessary, be charged and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance, and the requirements of the Sinking Fund.

Section 15. Defeasance. If, when the Bonds issued hereunder (or portions thereof) shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds (or portions 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 portions thereof) then outstanding shall be paid; or (i) sufficient moneys, or (ii) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, the principal of and the interest on which when due will provide sufficient moneys, or (iii) time certificates of deposit fully secured as to both principal and interest by obligations of the kind described in (ii) above of a bank or banks the principal of and 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 (or portions thereof) issued hereunder shall no longer be deemed outstanding or entitled to the pledge of the net revenues of the City's Sewage Works.

Section 16. Additional Bonds. The City also reserves the right to authorize and issue additional bonds, payable out of the net revenues of its Sewage Works, ranking on a parity with the bonds authorized by this Ordinance, for the purpose of financing the cost of future additions, extensions and improvements to the Sewage Works and/or refunding the Bonds, 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 outstanding bonds 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 (5) year period or shorter period, in a manner which is commensurate with the requirements established in Section 11 of this Ordinance.

(b) The amount of the Net Revenues of the sewage works in the fiscal year immediately preceding the issuance of any such bonds ranking on a parity with the bonds authorized by this ordinance shall not be less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of the then outstanding bonds and the proposed additional Parity Bonds proposed to be issued; or, prior to the issuance of said Parity Bonds, the wastewater rates and charges shall be increased sufficiently so that said increased rates and charges applied to the previous fiscal 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 the then outstanding bonds and the additional parity bonds

proposed to be issued. For the purposes of this subsection, the records of the sewage works shall be analyzed and all showings shall be prepared by a certified public accountant retained by the City for that purpose.

(c) The interest on the additional Parity Bonds shall be payable semiannually on the first days of February and August and the principal of the Parity Bonds shall be payable annually on the first day of February and August in the years in which both principal and interest are payable.

Section 17. Additional Covenants of the City. For the purpose of further safeguarding the interests of the owners of the Bonds herein authorized, it is specifically provided as follows:

(a) All contracts let by the City in connection with the construction of said additions, extensions and improvements to the Sewage Works 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 employers liability and public liability insurance as are required under the laws of the State of Indiana in the case of public contracts, and shall be governed in all respects by the laws of the State of Indiana relating to public contracts.

(b) Said additions, extensions and improvements shall be constructed under the supervision and subject to the approval of the Consulting Engineers and Architects or such other competent engineer as shall be designated by the Board. All

estimates for work done or material furnished shall first be checked by the Consulting Engineers and Architects and approved by the Board.

(c) The City shall at all times maintain its 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 herein authorized are outstanding, the City shall maintain insurance coverage, including fidelity bonds, to protect the sewage works and its operations on the insurable parts of said Sewage Works of a kind and in an amount such as would normally be carried by private companies 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 destroyed or damaged property, or, if not used for that purpose, shall be treated and applied as net revenues of the sewage works.

(e) So long as any of the Bonds are outstanding, the City shall not mortgage, pledge or otherwise encumber such sewage works, or any part thereof, nor shall it sell, lease or otherwise dispose of any portion thereof except replace equipment which may become worn out or obsolete.

(f) Except as hereinbefore provided in Section 16 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, retired or defeased pursuant to Section 16 hereof coincidentally with the delivery of such additional bonds or other obligations.

(g) The City shall take all action or proceedings necessary and proper 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, cause all such sanitary sewers to be connected with said Sewage Works.

(h) The provisions of this Ordinance shall constitute a contract by and between the City and the owners of the sewage works revenue bonds herein authorized, and after the issuance of said bonds, this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights of the owners of said bonds, nor shall the Common Council adopt any law, ordinance or resolution which in any way adversely affects the rights of such owners so long as any of said bonds or the interest thereon remains unpaid.

(i) The provisions of this Ordinance shall be construed to create a trust in the proceeds of the sale of the bonds herein authorized for the uses and purposes herein set forth, and the owners of the bonds shall retain a lien on such respective proceeds until the same are applied in accordance with the provisions of this Ordinance and of the 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 Sewage Works Sinking Fund for the uses and purposes of said fund as in this Ordinance set forth. The owner of said bonds shall have all of the rights, remedies and privileges set forth in the provisions of the Act, including the right to have a receiver appointed to administer

said Sewage Works in the event of default in the payment or the principal of or interest on any of the bonds herein authorized or in the event of default in respect to any of the provisions of this Ordinance or the Act. The Common Council reserves the right, however, to amend this Ordinance from time to time to preserve the Tax Exemption described in Section 19 hereof without the approval of any owner of the bonds so long as the Common Council certifies that such amendment does not violate subsection (i) of Section 17.

Section 18. Permitted Actions Relating to Preservation of Exclusion of Interest from Federal Gross Income.

(a) The Clerk-Treasurer is hereby authorized to invest moneys pursuant to the provisions of this Ordinance at a restricted yield (subject to applicable requirements of federal law to insure that any such investment is acquired for fair market value) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the Bonds, or the tax exempt status of interest on the Bonds, 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 created or referenced herein. In order to comply with the provisions of this 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 or exemption.

Section 19. Tax Covenants. In order to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes and as an inducement to purchasers of the Bonds, the City represents, covenants and agrees that:

(a) No person or entity, other than the City or another state or local governmental unit, will use proceeds of the Bonds or property financed by the Bond 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 the Bond proceeds or will have actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, an arrangement such as take-or-pay or output contract or any other type of arrangement that differentiates that person's or entity's use of such property from the use by the public at large.

(b) No Bond proceeds will be loaned to any entity or person. No Bond 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 proceeds.

(c) The City will not take, or cause to permit to be taken by it or by any party under its control, or fail to take or cause or permit to fail to be taken by it or by any party under its control, any action with respect to the Bonds 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, nor will the City act in any other manner which would adversely affect such exclusion. The City further covenants that it will not make any investment or do any other act or thing during the period that any Bond is

outstanding hereunder which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code and the regulations applicable thereto as in effect on the date of delivery of the Bonds.

(d) The City will, to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, rebate all required arbitrage profits on Bond proceeds or other moneys treated as Bond proceeds to the federal government and will set aside such moneys in a Rebate Account to be held by the Clerk-Treasurer in trust for such purpose.

Section 20. Compliance with Tax Sections. Notwithstanding any other provisions of this Ordinance, the covenants and authorizations contained in this Ordinance ("Tax Sections") which are designed to preserve the tax exempt status of interest on the Bonds or the exclusion of interest on the 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.

Section 21. Supplemental Ordinances. Subject to the terms and provisions contained in this Section, and not otherwise, the owners of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Bonds issued pursuant to this Ordinance and then outstanding shall have the right, from time to time, 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 particular

any of the terms or provisions contained in this Ordinance, or in any supplemental ordinance; 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 net 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.

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 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.

Section 22. Repeal of Conflicting Ordinances. All ordinances and parts of ordinances in conflict herewith are hereby repealed.

Section 23. Rates and Charges. The estimate of rates and charges which will be needed and charged to the general classes of users of property to be served by the Sewage Works in order to provide sufficient moneys to make payments of principal of and interest on the Bonds, along with the other payments identified in this Ordinance, is set forth in Ordinance No. 50, 2006 adopted December 18, 2006.

Section 24. Payments on Holidays. If the date of making any payment or the last date for performance of any act or the exercising of any right, as provided in this Ordinance, shall be a legal holiday or a day on which banking institutions in the City or the city in which the Registrar and Paying Agent is located are typically closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which

such banking institutions are typically closed, with the same force and effect as if done on the nominal date provided in this Ordinance, and no interest shall accrue for the period after such nominal date.

Section 25. Official Statement and Continuing Disclosure. The Bonds shall be offered and sold pursuant to an Official Statement with respect to the Bonds (the "Official Statement"), to be made available and distributed in such manner, at such times, for such periods and in such number of copies as may be required pursuant to Rule 15c2-12 promulgated by the United States Securities and Exchange Commission (the "Rule"). The Common Council hereby authorizes the Mayor to approve the form of the Preliminary Official Statement upon the advice of counsel with such approval to be conclusively evidenced by signature of the Mayor thereon. The Common Council hereby authorizes the Mayor to deem "final" the Preliminary Official Statement, as of its date, in accordance with the provisions of the Rule, subject to completion as permitted by the Rule, and the Common Council further authorizes the distribution of the deemed final Official Statement. The Common Council hereby authorizes and directs the Mayor, upon the advice of the counsel to place into final form and distribute and cause to be delivered the final Official Statement in accordance with the Rule, and further authorizes the Mayor to execute the final Official Statement. The Common Council covenants and agrees that it will comply with and carry out the continuing disclosure requirements the Rule and the Common Council authorizes the Mayor to approve of and execute an agreement to evidence the City's compliance with the Rule.

Section 26. Captions. The captions in this Ordinance are inserted only as a matter of convenience and reference, and such captions are not intended and shall not be

construed to define, limit, establish, interpret or describe the scope, intent or effect of any provision of this Ordinance.

Section 27. Effectiveness. This Ordinance shall be in full force and effect from and upon compliance with the procedures required by law.

* * * * *

PASSED by the Common Council of the City of Valparaiso, Indiana, by a 6-0 vote of all members present and voting, this 18th day of December, 2006.

Jon Costas, Mayor

(SEAL)

ATTEST:

Sharon E. Swihart, Clerk-Treasurer

Presented by me to the Mayor of the City of Valparaiso, Indiana, this 18th of December, 2006 at the hour of 8:15 o'clock P.M.

Sharon E. Swihart, Clerk-Treasurer

This Ordinance approved and signed by me this 18th day of December, 2006 at the hour of 8:15 o'clock P.M.

Jon Costas, Mayor

APPENDIX A TO THE
BOND ORDINANCE

Project Description

General

The Project includes any or all or any portion of the following elements:

- Elden Kuehl Pollution Control Facility Upgrade and Expansion Phase II
- EKPCF Maintenance and Control Building Renovation
- Heritage Valley Lift Station
- Combined Sewer Separation

Water Reclamation Department Upgrade and Expansion Phase II

The WRD Facility Upgrade and Expansion Phase II includes the any or all or any portion of the following improvements:

- Primary treatment improvements including influent splitter box modifications, expansion of the primary clarifiers, replacement of the primary sludge pumps, and related piping and valves.
- Addition of two primary sludge gravity thickeners and associated pumps, piping and valves.
- Anaerobic digestion improvements including replacement of sludge mixing system and associated pumps, piping and valves. Replacement of roofing on primary digester cover and refurbishment of existing facilities.
- Modifications to effluent reaeration facility
- Remodeling of a portion of the former laboratory building
- Standby engine generator facility
- Roofing replacement on several existing buildings
- New effluent filter control system
- Demolition and removal of an existing vehicle gas station and fuel storage tanks on the plant site.
- Associated demolition, site work, paving, piping, electrical, instrumentation and controls.
- Remodeling the Control Building to add training facilities
- The remodeling and rehabilitating the Plant Maintenance Building
- The rehabilitating of the Heritage Valley Lift Station and including standby emergency generator

- Combined Sewer Overflow treatment and/or reduction
- Yard Waste-Biosolids Co-Composting Project

APPENDIX B TO THE
BOND ORDINANCE

FORM OF REGISTERED BOND

(Form of Face of Bond)

UNITED STATES OF AMERICA
STATE OF INDIANA, COUNTY OF PORTER
CITY OF VALPARAISO, INDIANA,
SEWAGE WORKS REVENUE BOND, SERIES 2007

No. __R-__

Interest Rate	Maturity Date	Original Date	Authentication Date	CUSIP

Registered Owner:

Principal Amount:

The City of Valparaiso (the "City"), in Porter County, State of Indiana, for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, upon surrender hereof, solely out of the special revenue fund hereinafter referred to, the Principal Amount stated above on the Maturity Date specified above (unless this Bond be subject to and shall have been called for redemption prior to maturity as hereinafter provided), and to pay interest hereon until the Principal Amount is fully paid at the Interest Rate per annum specified above from the Original Date 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 date, in which case it shall bear interest from such interest payment date, or unless this Bond is authenticated on or before July 15, 2008 it shall bear interest from the Original Date specified above, which such interest is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2007. Interest shall be calculated on the basis of twelve (12) thirty (30)-day months for a three hundred sixty (360)-day year.

The principal of and premium, if any, on this Bond is payable at the principal corporate trust office of _____ in the _____ of _____, Indiana, or of any successor registrar and paying agent appointed by the City pursuant to the Ordinance hereinafter mentioned (the "Registrar" and the "Paying Agent"). All payments of interest hereon will be paid by cash or draft mailed or delivered by the Paying Agent to the Registered Owner hereof at the address as it appears on the registration books kept by the Registrar as of the fifteenth day of the month immediately preceding the

applicable interest payment date or at such other address as is furnished to the Paying Agent in writing by such Registered Owner. Interest on, together with the principal of, this Bond will be paid directly to The Depository Trust Company, New York, New York ("DTC"), by wire transfer in same day funds by the Paying Agent so long as DTC or its nominee is the registered owner of the Bond. All payments on this Bond shall be made in any coin or currency of the United States of America which, on the dates of such payments, shall be legal tender for the payment of public and private debts.

This Bond and the other bonds of this issue, together with the interest payable hereon and thereon, are payable solely from and secured by an irrevocable pledge of and constitute a charge upon all of the net revenues (defined to be gross revenues after deduction only for the payment of the reasonable expenses of operation, repair and maintenance) derived from the sewage works of the City, including the existing works, the improvements and extensions acquired or constructed out of the proceeds of this Bond and the issue of which it is a part, and all additions and improvements thereto subsequently acquired or constructed; and rank on a parity with the 2000 Bonds (as defined in the Ordinance (defined herein)). The City shall not be obligated to pay the principal of or interest on this Bond except from the special fund, entitled the "Sewage Works Sinking Fund" heretofore created by Ordinance No. 43-2000, adopted on November 27, 2000, and subsequently continued, provided from the net revenues of such sewage works, and neither this Bond nor any of the bonds of the issue of which this Bond is a part shall constitute an indebtedness of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana.

The City, the Registrar and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and the interest due hereon and for all other purposes, and none of the City, the Registrar or the Paying Agent shall be affected by any notice to the contrary.

This Bond shall not be valid or become obligatory for any purpose or entitled to any security or benefit under the Ordinance herein described unless and until the certificate of authentication hereon shall have been executed by a duly authorized representative of the Registrar.

This Bond is one of an authorized issue of bonds of the City of Valparaiso, Indiana, of like tenor and effect, except as to numbering, interest rate and date of maturity, in the total amount of _____ Dollars ($_____) numbered from __R-1 upward, issued for the purpose of providing funds to pay the cost of certain improvements and extensions to the sewage works of the City (the "Sewage Works"), and all expenses necessarily incurred in connection with the issuance of such bonds, as authorized by an ordinance adopted by the Common Council of the City of Valparaiso on the _____ day of December, 2006, entitled "An Ordinance of the Common Council of the City of Valparaiso, Indiana, Authorizing the Acquisition, Construction and Installation of Certain Additions, Extensions and Improvements to the City's Sewage Works, the Issuance and Sale of Additional Revenue Bonds to Provide Funds for the Payment of the Costs Thereof, and the Collection, Segregation and Distribution of the Revenues of Such Sewage Works and Other Related Matters" (the "Ordinance"), and in strict compliance with the provisions of Indiana Code, Title 36, Article 9, Chapter 23, and the laws amendatory thereof and supplemental thereto (the "Act").

This Bond is issuable only in fully registered form in the denomination of Five Thousand and 00/100 Dollar ($5,000.00) or any integral multiple thereof not exceeding the aggregate principal amount of the bonds of this issue maturing in any one year.

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this Bond and all other bonds of this issue, and any bonds hereafter issued on a parity therewith, are equally and ratably secured by and are payable solely from the Sewage Works Sinking Fund continued by the Ordinance to be provided from the net revenues (herein defined as the gross revenues after deduction only for the payment of the proper and reasonable expenses of operation repair and maintenance) derived from the Sewage Works, including the existing works, the improvements and extensions acquired or constructed out of the proceeds of this Bond and the issue of which it is a part, and all additions and improvements thereto and replacements thereof subsequently constructed and acquired. This Bond shall rank on a parity with the 2000 Bonds (as defined in the Ordinance). This Bond does not and shall not constitute an indebtedness of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana, and the City is not and shall not be obligated to pay this Bond or the interest thereon except from such special fund provided from such net revenues.

The City irrevocably pledges the entire net revenues of the Sewage Works to the extent necessary for such purposes, to the prompt payment of the principal of and interest on the bonds of this issue authorized pursuant to the Ordinance, including this Bond, any bonds hereafter issued on a parity herewith. The City covenants that it will to the fullest extent permitted by law cause to be fixed, maintained and collected such rates and charges for services rendered by such works as are sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of said works and for the payment of the sums required to be paid into said Sinking Fund under the provisions of said Act and said Ordinance. In the event the City, or the proper officers thereof, shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the principal of or interest on this Bond, the Registered 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 the principal of and interest on this Bond.

The City further covenants that it will set aside and pay into its Sewage Works Sinking Fund a sufficient amount of the net revenues of the Sewage Works to meet (a) the interest on all bonds payable from the revenues of the Sewage Works, as such interest shall fall due, (b) the necessary fiscal agency charges for paying all bonds and interest, (c) the principal of all bonds payable from the revenues of the Sewage Works, and (d) an additional amount as a margin of safety to create the reserve required by the Ordinance.

The bonds of this issue maturing on or after February 1, 2016, are subject to redemption prior to maturity, at the option of the City, in whole or in part, on August 1, 2015, or at any time thereafter, or thirty (30) days' notice, in principal amounts and maturities selected by the City and by lot within any such maturity or maturities by the Registrar at a redemption price equal to the principal amount of each bond to be redeemed, plus accrued interest to the date of redemption and without premium.

Notice of any such redemption shall be sent by registered or certified mail to the Registered Owner of this Bond not more than sixty (60) and not less than thirty (30) days prior to the date fixed for redemption, unless such notice is waived by the Registered Owner; provided, however, that failure to give such notice by mailing, or any defect therein, with respect to any such bond will not affect the validity of any proceedings for redemption of any other such bonds. The notice shall specify the redemption price, the date and place of redemption, and the registration numbers (and in case of partial redemption, the respective principal amounts) of the bonds called for redemption. Interest on bonds so called for redemption shall cease to accrue on the redemption date fixed in such notice, so long as

sufficient funds are available at the place of redemption to pay the redemption price on the redemption date or when presented for payment.

Prior to the date fixed for redemption, funds shall be deposited with the Paying Agent to pay, and the Paying Agent is hereby authorized and directed to apply such funds to the payment of the bonds or portions thereof called, together with accrued interest thereon to the redemption date and any required premium. No payment shall be made by the Paying Agent upon any bond or portion thereof called for redemption until such bond shall have been delivered for payment or cancellation or the Registrar shall have received the items required by the Ordinance with respect to any mutilated, lost, stolen or destroyed bond.

If this Bond or a portion hereof shall have become due and payable in accordance with its terms or this Bond or a portion hereof shall have been duly called for redemption or irrevocable instructions to call this Bond or a portion hereof for redemption shall be given and the whole amount of the principal and the premium, if any, and interest, so due and payable upon this Bond or such portion hereof shall be paid, or (i) sufficient moneys, or (ii) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, the principal of and the interest on which when due will provide sufficient moneys for such purpose, or (iii) time certificates of deposit of a bank or banks, fully secured as to both principal and interest by obligations of the kind described in (ii) above, the principal of and interest on which when due will provide sufficient moneys for such purpose, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case this Bond or such portion hereof shall no longer be deemed outstanding, entitled to the pledge of the net revenues of the sewage works or an obligation of the City.

If this Bond shall not be presented for payment or redemption on the date fixed therefor, the City may deposit in trust with the Paying Agent an amount sufficient to pay such bond or the redemption price, as appropriate, and thereafter the Registered Owner shall look only to the funds so deposited in trust with the Paying Agent for payment, and the City shall have no further obligation or liability with respect thereto.

All bonds which have been redeemed shall be canceled and cremated or otherwise destroyed and shall not be reissued and a counterpart of the certificate of cremation or other destruction evidencing such cremation or other destruction shall be furnished by the Registrar to the City; provided, however, that one or more new registered bonds shall be issued for the unredeemed portion of any bond without charge to the holder thereof.

Subject to the provisions of the Ordinance regarding the registration of such bonds, this Bond and all other bonds of this issue of which this Bond is a part are fully negotiable instruments under the laws of the State of Indiana. This Bond is transferable or exchangeable only on the books of the City maintained for such purpose at the principal office of the Registrar, by the Registered Owner hereof in person, or by his attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the Registered Owner or his attorney duly authorized in writing, and thereupon a new fully registered bond or bonds in 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. This Bond may be transferred or exchanged without cost to the Registered Owner or his attorney duly authorized in writing, except for any tax or other governmental charge which may be required to be paid with respect to

such transfer or exchange. The Registrar shall not be obligated to make any exchange or transfer of this Bond (i) during the fifteen (15) days immediately preceding an interest payment date on this Bond or (ii) after the mailing of any notice calling this Bond for redemption. 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 the redemption premium, if any, and interest due hereon.

In the event this Bond is mutilated, lost, stolen or destroyed, the City may cause to be executed and the Registrar may authenticate a new bond of like date, maturity and denomination as this Bond, which new bond shall be marked in a manner to distinguish it from this Bond; provided, that in the case of this Bond being mutilated, this Bond shall first be surrendered to the Registrar, and in the case of this Bond being lost, stolen or destroyed, there shall first be furnished to the Registrar evidence of such loss, theft or destruction satisfactory to the City and to the Registrar, together with indemnity satisfactory to them. In the event that this Bond, being mutilated, lost, stolen or destroyed, shall have matured or been called for redemption, instead of causing to be issued a duplicate bond the Registrar may pay this Bond upon surrender of this mutilated bond or upon satisfactory indemnity and proof of loss, theft or destruction in the event this Bond is lost, stolen or destroyed. In such event, the City and the Registrar may charge the owner of this Bond with their reasonable fees and expenses in connection with the above. Every substitute bond issued by reason of this Bond being lost, stolen or destroyed shall, with respect to this Bond, constitute a substitute contractual obligation of the City, whether or not this Bond, being lost, stolen or destroyed shall be found at any time, and shall be entitled to all the benefits of the Ordinance, equally and proportionately with any and all other bonds duly issued thereunder.

In the manner provided in the Ordinance, the Ordinance and the rights and obligations of the City and the owners of the bonds of this issue authorized thereunder, including this Bond, may (with certain exceptions as stated in the Ordinance) be modified or amended with the consent of the owners of at least sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of such bonds exclusive of any such bonds which may be owned by the City.

The Registered Owner of this Bond, by the acceptance hereof, hereby agrees to all the terms and provisions contained in the Ordinance.

The City hereby certifies, recites and declares that all acts, conditions and things required to be done precedent to and in the preparation, execution, issuance and delivery of this Bond have been done and performed in regular and due form as required by law.

IN WITNESS WHEREOF, the City of Valparaiso, in Porter County, State of Indiana, has caused this Bond to be executed in its corporate name and on its behalf by the manual or facsimile signature of the Mayor of the City and its corporate seal to be hereunto affixed or impressed by any means and attested by the manual or facsimile signature of its Clerk-Treasurer.

CITY OF VALPARAISO, INDIANA

By: _____
Mayor

(Seal of the City)

ATTEST:

_____
Clerk-Treasurer

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the City of Valparaiso, Indiana, Sewage Works Revenue Bonds, Series 2007, issued and delivered pursuant to the provisions of the within-mentioned Ordinance.

_____
as Registrar

By: _____
Authorized Representative

ASSIGNMENT

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

Dated: _____

_____

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.

Signature Guarantee:

_____

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