

ORDINANCE NO. 11-28-2005 A

An Ordinance concerning the acquisition of waterworks facilities and the construction of additions and improvements thereto for the Lake Santee Regional Waste and Water District; authorizing the issuance of waterworks revenue bonds to apply on the cost thereof; providing for the collection, segregation and distribution of the revenues of said works; the safeguarding of the interests of the owners of said revenue bonds, the safeguarding of the interests of the owners of said revenue bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repealing ordinances inconsistent herewith

WHEREAS, the Lake Santee Regional Waste and Water District ("District") has heretofore authorized the acquisition, construction and financing of a waterworks, and will own and operate said waterworks pursuant to IC 13-26 as in effect on the date of delivery of the bonds authorized herein ("Act"); and

WHEREAS, the Board of Trustees of the District ("Board of Trustees") finds that certain waterworks facilities will be acquired and that improvements and additions to said works are necessary; that plans, specifications and estimates have been prepared and filed by the engineers employed by the District for the construction of said improvements and additions (as more fully set forth in summary fashion in Exhibit A hereto and made a part hereof) ("Project"), which plans and specifications have been or will be approved by the Board of Trustees and submitted to all governmental authorities having jurisdiction, and have been or will be approved by the aforesaid governmental authorities and are incorporated herein by reference and open for inspection at the office of the Secretary as required by law; and

WHEREAS, the District has obtained engineers' estimates of the costs for the construction of the Project and has advertised for and received bids therefor, which bids are

subject to the District's obtaining funds to pay for the Project; that on the basis of said engineers' estimates and construction bids, the cost of the Project, including estimated incidental expenses, is in the estimated amount of Three Million Four Hundred Ten Thousand Dollars (\$3,410,000); and

WHEREAS, the Board of Trustees finds that a grant from the United States of America, U.S. Department of Agriculture, acting through Rural Development ("USDA"), in the amount of \$600,000 will be available for application on the costs of the Project, leaving a balance to be financed by the issuance of revenue of the District's waterworks in an amount not to exceed \$2,810,000, and, if necessary, bond anticipation notes ("BANs"); and

WHEREAS, the Board of Trustees expects that the USDA will purchase the bonds issued hereunder in an amount not to exceed \$2,560,000; and

WHEREAS, pursuant to Ordinance No. 11-28-2005 B, the District will authorize the issuance of certain Waterworks Revenue Bonds of 200___, Series B, to be completed with the year in which they are issued ("Open Market Bonds"), in an amount not to exceed \$250,000, which Open Market Bonds shall be issued to finance the balance of the costs of the Project and shall be issued on a parity with the bonds issued hereunder; and

WHEREAS, the bonds to be issued pursuant to this ordinance will constitute a first charge against the Net Revenues (as hereinafter defined) of the waterworks, on a parity with the Open Market Bonds, and are to be issued subject to the provisions of the Act and the terms and restrictions of this ordinance; and

WHEREAS, the District desires to authorize the issuance of BANs hereunder, if necessary, and to authorize the refunding of the BANs, if issued; and

WHEREAS, all conditions precedent to the adoption of an ordinance authorizing the issuance of said revenue bonds and BANs to apply on the cost of the Project have been complied with in accordance with the provisions of the Act hereinbefore referred to, now therefore,

BE IT ORDAINED BY THE BOARD OF TRUSTEES OF THE LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT:

Section 1. That the District proceed with the Project in accordance with the plans and specifications prepared by the consulting engineers employed by the District, which plans and specifications are now on file in the office of the Secretary of the District, and are hereby adopted and approved, and by reference made a part of this ordinance as fully as if the same were attached hereto and incorporated herein; that the cost of construction of the Project, including expenses incidental to the financing, shall not exceed the sum of \$3,410,000, plus investment earnings on the bond and BAN proceeds, without further authorization from the Board of Trustees and the Project shall be constructed and the bonds herein authorized shall be issued pursuant to and in accordance with the provisions of the Act. The terms "waterworks," "waterworks system," "works," "system" and other like terms where used in this ordinance shall be construed to mean and include the existing waterworks system and all real estate and equipment used in connection therewith and appurtenances thereto, and all extensions, additions and improvements thereto and replacements thereof now or at any time hereafter constructed or acquired.

Section 2. The District shall issue, if necessary, its BANs for the purpose of procuring interim financing to apply on the cost of the Project and costs of issuance. The District shall issue its BANs in an amount not to exceed Two Million Five Hundred Sixty Thousand Dollars (\$2,560,000) to be designated "Waterworks Bond Anticipation Notes." The BANs shall

be sold at a price not less than 99% of their par value, shall be numbered consecutively from 1 upward, shall be in multiples of \$1,000 as designated in the purchase agreement for the BANs, shall be dated as of the date of delivery thereof, and shall bear interest at a rate not to exceed 5% per annum (the exact rate or rates to be determined through negotiations). The BANs will mature not later than two (2) years from their date of delivery. The BANs are subject to renewal or extension at an interest rate or rates not to exceed 5% per annum (the exact rate or rates to be negotiated). The term of the BANs and all renewal BANs may not exceed five years from the date of delivery of the initial BANs. The BANs shall be registered in the name of the purchasers thereof.

The BANs shall be issued pursuant to IC 5-1.5-8-6.1 if sold to the Indiana Bond Bank or pursuant to IC 5-1-14-5 if sold to a financial institution or any other purchaser. The BANs shall be payable solely from the issuance of revenue bonds pursuant to and in the manner prescribed by the Act. The revenue bonds will be payable solely out of and constitute a first charge against the hereinafter defined Net Revenues of the waterworks of the District, on a parity with the Open Market Bonds.

The District shall issue its waterworks revenue bonds designated "Waterworks Revenue Bonds of 2005" in an amount not to exceed \$2,560,000, for the purpose of procuring funds to apply on the cost of the Project, costs of issuance and refunding the BANs, if issued. The bonds shall be sold at a price not less than 100% of the par value thereof, issued in fully registered form in the denomination of One Thousand Dollars (\$1,000) each, or any integral multiple thereof, numbered consecutively from 1 up, and dated as of the date of initial delivery of said bonds. The bonds shall bear interest at a rate or rates not exceeding 5% per annum, payable semiannually on January 1 and July 1 of each year, beginning on the first January 1 or the first July 1 following

delivery of the bonds as designated by the Secretary, with the advice of the District's financial advisor. The bonds shall mature annually on January 1, over a period not to exceed forty (40) years, and in such amounts which will produce as level debt service as practicable with \$1,000 denominations. Installments of principal and interest shall be payable in such coin or currency as at the time of payment shall be legally acceptable for payment of debts due the United States of America.

Section 3. The BANs and bonds shall be registered in the name of the owner in a book maintained for that purpose by the Secretary of the District, and such registration shall be noted thereon by the Secretary as bond registrar, after which no transfer shall be valid except by transfer duly acknowledged by the registered owner or its attorney, such transfer to be made in said book and similarly noted on the bond. No charge shall be made for registration. Registered bonds, subject to prior prepayment as hereinafter provided, shall be payable on January 1, in the years and installments to be determined in accordance with Section 2 of this ordinance. Both interest on and principal of the fully registered bonds are payable in lawful money of the United States of America, by check mailed one business day prior to the payment date, to the registered owner at the address of said owner as it appears on the registration records of the District; provided that at the time of final payment, said fully registered bond or bonds must be delivered to the District. The party in whose name said bonds shall be registered shall be deemed the absolute owner for all purposes and payments to such owner shall completely discharge the District's obligations.

Section 4. Each of the bonds and BANs shall be issued in the name of the District and shall be executed by the President of the Board of Trustees, and attested by the Secretary who shall affix the seal of the District, if any, thereto. Said bonds and BANs shall not be the

general obligation of the District, and said bonds shall state on their face that the District shall not be obligated to pay the same or the interest thereon except from the special revenue fund provided from the Net Revenues (herein defined as gross revenues after deduction only for the payment of the reasonable expenses of operation, repair and maintenance) of the waterworks of the District. Subject to the provisions for registration hereof, the bonds shall have all the qualities and incidents of a negotiable instrument under the laws of the State of Indiana.

Section 5. The form and tenor of said fully registered bonds and the transfer registry thereon shall be substantially as follows, all blanks to be filled in properly prior to delivery thereof:

(Form of Fully Registered Bond)

UNITED STATES OF AMERICA

STATE OF INDIANA

COUNTY OF DECATUR

LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT
WATERWORKS REVENUE BOND OF 2005

The Lake Santee Regional Waste and Water District ("District"), in Decatur County, State of Indiana, for value received, hereby promises to pay to the registered owner solely out of the special revenue fund hereinafter referred to, the principal amount of:

_____ DOLLARS (\$_____)

on January 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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(subject to any prepayments of principal as hereinafter provided) and to pay interest on the unpaid balance hereof from the dates of payment as recorded hereon until the principal is paid, at

the rate of _____% per annum, payable semiannually on January 1 and July 1, beginning _____ 1, 200__.

Both principal and interest of this bond are payable in lawful money of the United States of America, by check mailed one business day prior to the payment date at the address of said owner as it appears on the registration records of the District. Upon final payment, this bond shall be delivered to the District and cancelled.

This bond is the only one of an authorized issue of the District in the aggregate principal amount of _____ Dollars (\$_____) issued for the purpose of providing funds to be applied to the cost of acquiring waterworks facilities and the construction of improvements and additions thereto [and refunding notes issued in anticipation of this bond], as authorized by an ordinance adopted by the Board of Trustees of the District on _____, 2005, entitled "An Ordinance concerning the acquisition of waterworks facilities and the construction of additions and improvements thereto for the Lake Santee Regional Waste and Water District; authorizing the issuance of waterworks revenue bonds to apply on the cost thereof; providing for the collection, segregation and distribution of the revenues of said works; the safeguarding of the interests of the owners of said revenue bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repealing ordinances inconsistent herewith" ("Ordinance"), and in strict compliance with the provisions of IC 13-26, as in effect on the date of delivery of the bonds authorized herein ("Act").

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this bond, and any bonds ranking on a parity therewith, including the Open Market Bonds (as defined in the Ordinance), are payable solely from the Waterworks Sinking Fund ("Sinking Fund") to be provided from the Net Revenues (defined as gross revenues after deduction only for the payment of the reasonable expenses of operation, repair and maintenance) of the waterworks of the District. This bond shall not constitute an indebtedness of the District within the meaning of the provisions and limitations of the constitution of the State of Indiana, and the District shall not be obligated to pay this bond or the interest hereon except from the special fund provided from the Net Revenues.

The District irrevocably pledges the entire Net Revenues of said waterworks to the prompt payment of the principal of and interest on the bonds authorized by the Ordinance, and any bonds ranking on a parity therewith, including the Open Market Bonds, and covenants that it will cause to be fixed, maintained and collected such rates and charges for service rendered by said works as are sufficient in each year for the payment of the reasonable expenses of operation, repair and maintenance of said works, and for the payment of the sums required to be paid into said Sinking Fund under the provisions of the Ordinance and the Act. In the event the District, or the proper officers thereof, shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the interest on or principal of this bond, the owner of this bond shall have all of the rights and remedies provided for in the Act, including the right to have a receiver appointed to administer the works and to charge and collect rates sufficient to provide for the payment of this bond and the interest hereon.

The District further covenants that it will set aside and pay into its Sinking Fund a sufficient amount of the Net Revenues of said works to pay (a) the interest on this bond and all other bonds which, by their terms, are payable from the revenues of said waterworks, as such interest shall fall due, (b) the necessary fiscal agency charges for paying the bonds and interest, (c) the principal of this bond and all other bonds, which, by their terms, are payable from the revenues of said waterworks, as such principal shall fall due, and (d) an additional amount as a margin of safety to [create and] maintain the reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of said works, on a parity with the Open Market Bonds.

This bond may be transferred upon presentation of the bond and an executed assignment to the Secretary of the District for notation of the same upon this bond and the registration record of the District kept for that purpose or may be exchanged as provided in the Ordinance.

Installments of principal of this bond may, at the option of the District, be prepaid in whole or in part on any date after issuance, in any multiple of One Thousand Dollars (\$1,000), upon thirty (30) days' notice to the registered owner, at par and accrued interest to the date of prepayment. Interest on the installments of principal so prepaid shall cease on such date of prepayment. This bond must be presented at the office of the Secretary for any such prepayments.

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

This bond is subject to defeasance prior to redemption or payment as provided in the Ordinance referred to herein. The owner of this bond, by the acceptance hereof, hereby agrees to all the terms and provisions contained in the Ordinance. The Ordinance may be amended without the consent of the owners of the bonds as provided in the Ordinance if the Board of Trustees determines, in its sole discretion, that the amendment shall not adversely affect the rights of any of the owners of the bonds.

The District has designated this bond as a "qualified tax-exempt obligation" to qualify this bond for the \$10,000,000 exception from the provisions of Section 265(b) of the Internal Revenue Code of 1986 relating to the disallowance of 100% of interest expense allocable to qualified tax-exempt obligations acquired by financial institutions.

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

IN WITNESS WHEREOF, the Lake Santee Regional Waste and Water District, in Decatur County, State of Indiana, has caused this bond to be executed in its corporate name by

the President of its Board of Trustees [and its corporate seal to be hereunto affixed] and manually attested by its Secretary, as of _____, 2005.

LAKE SANTEE REGIONAL WASTE AND
WATER DISTRICT

By: 
President, Board of Trustees

[SEAL]

Attest:


Secretary

(Form of Registration)

REGISTRATION ENDORSEMENT

This bond can be transferred and registered only at the office of the Secretary in the Lake Santee Regional Waste and Water District. No writing hereon is permitted except by the Secretary.

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Employer I.D. # or Social Security #, if applicable</u>	<u>Secretary</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>

RECORD OF PAYMENT FOR BOND

<u>Date of Payment</u>	<u>Amount</u>	<u>Acknowledgement of Receipt by Treasurer</u>	<u>Guarantee of Treasurer's Signature</u>
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(NOTE: This should be a separate sheet)

PREPAYMENT RECORD

Principal Installments on Which Payments
Have Been Made Prior to Maturity

<u>Principal Date</u>	<u>Amount</u>	<u>Principal Payment</u>	<u>Balance</u>	<u>Date Paid</u>	<u>Name of Authorized Official and Title</u>
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(NOTE: This should be a separate sheet)

Section 6. The BANs are prepayable by the District, in whole or in part, at any time upon seven (7) days' notice to the owners of the BANs without any premium. Any one or more installments of principal of fully registered bonds of this issue shall be redeemable or prepayable at the option of the District from any funds regardless of source, in whole, or from time to time in part, in any multiple of One Thousand Dollars (\$1,000), on any date, at the principal amount thereof and accrued interest to the date fixed for redemption, without any premium. Prepayments of installments of principal of fully registered bonds shall be made in inverse order of maturities outstanding at the time of prepayment, and in inverse numerical order for bonds if less than an entire maturity is called. Notice of prepayment of principal on a fully registered bond shall be given by registered mail at least thirty (30) days prior to the date of such redemption or prepayment to the registered owner at its address as shown on the registration record of the District. The notice of prepayment shall specify the date and place of prepayment, the dates of maturity of the bonds subject to prepayment, and identification of installments of principal to be prepaid. The place of prepayment of installments of principal shall be the office of the Secretary of the District who shall record the prepayments on the bonds. Interest on the

installments of principal to be prepaid shall cease on the date fixed in such notice if sufficient funds are available at the place of prepayment to pay the price on the date so named, including interest to said date. If any fully registered bond called for prepayment shall not be presented on the date and at the place designated, the District shall hold in trust in the District's depository bank, sufficient funds to effect such prepayment in full, and thereafter the owner of such bond shall be entitled to payment only from such trust funds and the prepayment thereof shall be deemed to have been effected and the bonds no longer outstanding.

Section 7. The bonds and BANs shall be signed manually or by facsimile in the name of the District by the President of the Board of Trustees and attested by the Secretary, who shall affix the seal of the District, if any, to each of the bonds and BANs or cause said seal to be imprinted therein by any means. Said officials, by the signing of a proper signature identification certificate, shall adopt as and for their own proper signatures their facsimile signatures appearing on said bonds and BANs.

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

Section 8. Upon surrender of a fully registered bond at the office of the Secretary of the District, or at such other place as may be agreed upon by and between the District and the registered owner, together with a request for exchange duly executed by the registered owner, or

its attorney, in such form as shall be satisfactory to the District, such bond may, at the option of the registered owner thereof, at the expense of the District, be exchanged for a new fully registered bond or bonds in an aggregate amount equal to the then unpaid principal amount outstanding and with maturities corresponding to the unpaid principal installments outstanding of the fully registered bond, in the denomination of One Thousand Dollars (\$1,000) each, or integral multiples thereof, bearing the same rate of interest payable semiannually on January 1 and July 1. Upon the surrender of such fully registered bond and the filing of a request for exchange, the District shall execute and deliver such fully registered bonds in accordance with the request for exchange and in the form substantially as set forth in Section 5 hereof. Said bonds shall be issued within sixty (60) days from the date of the filing of the request for such exchange. Any fully registered bond surrendered for exchange shall, upon delivery of the bonds in exchange therefor, be forthwith cancelled by the District.

Section 9. The Secretary is hereby authorized and directed to have the bonds and BANs prepared, and the President and the Secretary are hereby authorized and directed to execute said bonds and BANs in the form and manner hereinbefore provided. The Treasurer is hereby authorized and directed to deliver the BANs to the purchaser thereof and the bonds to the USDA. The District shall receive payment for the BANs in an amount not less than 99% of the par value of the BANs and payment for the bonds at not less than 100% of their par value. The District may receive payment on the BANs and bonds in installments. The principal of and interest on the BANs shall be payable solely from the proceeds of the bonds herein authorized. The bonds herein authorized, as and to the extent paid for and delivered, shall be the binding special revenue obligations of the District, payable out of the Net Revenues of the waterworks on a parity with the Open Market Bonds, to be set aside into the Waterworks Sinking Fund as herein

provided, and the proceeds derived from the sale of said bonds shall be and are hereby set aside for application on the cost of the Project, the refunding of the BANs, if issued, and the expenses necessarily incurred in connection therewith. The proper officers of the District are hereby directed to draw all proper and necessary warrants, and to do whatever acts and things which may be necessary to carry out the provisions of this ordinance.

Section 10. The accrued interest received at the time of the delivery of the bonds, if any, shall be deposited in the Waterworks Sinking Fund (hereinafter "Waterworks Sinking Fund" or "Sinking Fund"). The remaining proceeds from the sale of said bonds, to the extent not used to refund the BANs, and BAN proceeds shall be deposited in a bank or banks which are legally designated depositories for the funds of the District, in a special account or accounts to be designated as "Lake Santee Regional Waste and Water District, Waterworks Construction Account" ("Construction Account"). All funds deposited to the credit of the Sinking Fund or Construction Account shall be deposited, held, secured or invested in accordance with the laws of the State of Indiana relating to the depositing, holding, securing or investing of public funds, including particularly IC 5-13, and the acts amendatory thereof and supplemental thereto. The funds in the Construction Account shall be expended only for the purpose of paying the cost of the Project, or as otherwise required by the Act, refunding the BANs, if issued, and for the expenses of issuance of the bonds and BANs. The cost of obtaining the legal services of Ice Miller shall be considered as a part of the cost of the Project on account of which the bonds and BANs are issued.

Any balance or balances remaining unexpended in such special account or accounts after completion of the Project, which are not required to meet unpaid obligations incurred in connection with such Project, shall, at the direction of the Board of Trustees, either (1) be paid

into the Sinking Fund and used solely for the purposes of the Sinking Fund or (2) be used for the same purpose or type of project for which the bonds were originally issued, all in accordance with IC 5-1-13, as amended and supplemented.

Section 11. All revenues derived from the operation of the waterworks and from the collection of water rates and charges shall be deposited in the Waterworks Revenue Fund ("Revenue Fund"), hereby created, and segregated and deposited as set forth in this ordinance. Of these revenues, the proper and reasonable expenses of operation, repair and maintenance of the waterworks shall be paid, the principal and interest of all bonds and fiscal agency charges of registrars or paying agents shall be paid, the reserve shall be funded, and the costs of replacements, extensions, additions and improvements shall be paid.

Section 12. The Operation and Maintenance Fund ("Operation and Maintenance Fund") is hereby created. On the last day of each calendar month, revenues of the waterworks shall be transferred from the Revenue Fund and credited to the Operation and Maintenance Fund. The balance maintained in this Fund shall be sufficient to pay the expenses of operation, repair and maintenance for the then next succeeding two calendar months. The moneys credited to this Fund shall be used for the payment of the reasonable and proper operation, repair and maintenance expenses of the waterworks on a day-to-day basis. Any moneys in said Fund may be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding bonds of the waterworks.

Section 13. There is hereby created a sinking fund for the payment of the principal of and interest on revenue bonds which by their terms are payable from the Net Revenues of the waterworks, and the payment of any fiscal agency charges in connection with the payment of bonds, which fund shall be designated the Waterworks Sinking Fund ("Sinking Fund"). There

shall be set aside and deposited in the Sinking Fund, as available, and as hereinafter provided, a sufficient amount of the Net Revenues of the waterworks to meet the requirements of the Bond and Interest Account and of the Reserve Account hereby created in the Sinking Fund. Such payments shall continue until the balances in the Bond and Interest Account and the Reserve Account equal the principal of and interest on all of the then outstanding bonds of the District to their final maturity.

(a) Bond and Interest Account. The Bond and Interest Account is hereby created. There shall be transferred on the last day of each calendar month from the Revenue Fund to the Bond and Interest Account an amount of Net Revenues equal to at least one-sixth ($1/6$) of the interest on and at least one-twelfth ($1/12$) of the principal of all then outstanding bonds payable on the then next succeeding principal and interest payment dates, until the amount of interest and principal payable on the next succeeding interest and principal payment dates shall have been so credited. There shall similarly be credited to the Account any amount necessary to pay the bank fiscal agency charges. The District shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owner or to the bank fiscal agency sufficient moneys to pay the principal and interest on the due dates thereof together with the amount of bank fiscal agency charges.

(b) Reserve Account. On the date of delivery of the bonds, funds on hand of the waterworks, bond proceeds or a combination thereof may be deposited into the Reserve Account ("Reserve Account"), hereby created. The balance to be maintained in the Reserve Account shall, after taking into account money already on deposit therein for the Open Market Bonds, equal but not exceed the average annual debt service on the bonds issued hereunder and the Open Market Bonds ("Reserve Requirement"). If the initial deposit into the Reserve Account does not

cause the balance therein to equal the Reserve Requirement or if no deposit is made, an amount of Net Revenues shall be credited to the Reserve Account each calendar month until the balance therein equals the Reserve Requirement. The monthly deposits of Net Revenues shall be equal in amount and sufficient to accumulate the Reserve Requirement within ten (10) years of the date of delivery of the bonds.

The District may fund all or part of the Reserve Account with a debt service reserve surety bond. The surety bond must be issued by an insurance company rated in the highest rating category by Standard & Poor's Corporation and Moody's Investors Service. The Reserve Account shall constitute the margin for safety and protection against default in the payment of principal of and interest on the bonds issued hereunder and the Open Market Bonds, and the moneys in the Reserve Account shall be used to pay current principal and interest on the bonds issued hereunder and the Open Market Bonds to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiency in the balance maintained in the Reserve Account shall be promptly made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. Any moneys in the Reserve Account in excess of the Reserve Requirement shall either be used for the purchase of the outstanding bonds or installments of principal of fully registered bonds or shall be transferred to the Waterworks Improvement Fund.

Section 14. Any excess revenues may be transferred or credited from the Revenue Fund to the Waterworks Improvement Fund ("Improvement Fund"), hereby created, and said Fund shall be used for improvements, replacements, additions and extensions of the waterworks. Moneys in the Improvement Fund shall be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal and interest on the then outstanding bonds or, if

necessary, to eliminate any deficiencies in credits to or minimum balance in the Reserve Account of the Sinking Fund, or may be transferred to the Operation and Maintenance Fund to meet unforeseen contingencies in the operation, repair and maintenance of the waterworks.

Section 15. The Sinking Fund shall be deposited in and maintained as a separate account or accounts apart from all other accounts of the District. The Operation and Maintenance Fund and the Improvement Fund may be maintained in a single account, or accounts, but such account or accounts shall likewise be maintained separate and apart from all other accounts of the District and apart from the Sinking Fund account or accounts. All moneys deposited in said account or accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that moneys therein may be invested in obligations in accordance with the applicable laws, including particularly IC 5-13, as amended and supplemented.

Section 16. The District shall keep proper records and books of account, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues received on account of the operation of the waterworks and all disbursements made therefrom and all transactions relating to the works. There shall also be furnished upon request to any owner of the bonds, within thirty (30) days of their receipt by the District, the audited financial statements of the waterworks prepared by the State Board of Accounts. Copies of all such statements and reports shall be kept on file in the business office of the District. Any owner or owners of the bonds then outstanding shall have the right at all reasonable times to inspect the works and all records, accounts, statements, audits, reports and data of the District relating to the waterworks. Such inspections may be made by representatives duly authorized by written instrument.

Section 17. The District covenants and agrees that it will establish, maintain and collect reasonable and just rates and charges payable by the owner of each lot, parcel of land or building that is connected with and uses the works, which shall to the extent permitted by law produce sufficient revenues at all times to pay all legal and other necessary expense incident to the operation of such utility including maintenance costs, operating charges, upkeep, repairs, and interest charges on bonds or other obligations; to provide the sinking fund and debt service reserve for the liquidation of bonds or other evidence of indebtedness; and to provide adequate funds to be used as working capital, as well as funds for making improvements, additions, extensions, and replacements, it being the intent and purpose hereof that such charges shall produce an income sufficient to maintain such utility property in a sound physical and financial condition to render adequate and efficient service. So long as any of the bonds herein authorized are outstanding, none of the facilities or services rendered by said utility shall be furnished without a reasonable and just charge being made therefor. The District shall pay like charges for any and all services rendered by said utility to the District, and all such payments shall be deemed to be revenues of the utility. Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation and maintenance, and the requirements of the Sinking Fund.

Section 18. The District reserves the right to authorize and issue additional BANs at any time ranking on a parity with the BANs. The District also reserves the right to authorize and issue additional bonds, payable out of the Net Revenues of its waterworks, ranking on a parity with the bonds authorized by this ordinance, for the purpose of financing the cost of future enlargements, extensions and improvements to the waterworks, or to refund obligations, subject to the following conditions:

(a) All required payments into the Sinking Fund shall have been made in accordance with the provisions of this ordinance, and the interest on and principal of all bonds payable from the Net Revenues of the waterworks shall have been paid in accordance with the terms thereof.

(b) The projected Net Revenues of the waterworks for the fiscal year immediately following 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 percent (120%) of the average annual interest and principal requirements of the then outstanding bonds and the additional parity bonds proposed to be issued. For purposes of this subsection, the records of the waterworks shall be analyzed and all showings shall be prepared by a certified public accountant employed by the District for that purpose.

(c) The principal of said additional parity bonds shall be payable annually on January 1 and the interest on said additional parity bonds shall be payable semiannually on January 1 and July 1 in the years in which such principal and interest are payable.

Section 19. For the purpose of further safeguarding the interests of the owners of the bonds and BANs herein authorized, it is specifically provided as follows:

(a) All contracts let by the District in connection with the construction of the Project shall be let after due advertisement as required by the laws of the State of Indiana, and all contractors shall be required to furnish surety bonds in an amount equal to 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 relating to public contracts.

(b) The Project shall be constructed under the supervision and subject to the approval of such competent engineer as shall be designated by the District. All estimates for work done or material furnished shall first be checked by the engineer and approved by the District prior to the payment thereof.

(c) The District shall at all times maintain its waterworks in good condition and operate the same in an efficient manner and at a reasonable cost.

(d) So long as any of the bonds or BANs herein authorized are outstanding, the District shall maintain insurance on the insurable parts of the system, of a kind and in an amount such as would normally be carried by private corporations engaged in a similar type of business. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana. As an alternative to maintaining such insurance, the District may maintain a self-insured program with catastrophic or similar coverage so long as such program meets the requirements of any applicable laws or regulations and is maintained in a manner consistent with programs maintained by similarly situated municipalities. All insurance or self-insurance proceeds shall be used either in replacing or restoring the property destroyed or damaged; or shall be deposited in the Sinking Fund.

(e) So long as any of the bonds or BANs are outstanding, the District shall not mortgage, pledge or otherwise encumber the property and plant of its waterworks system, or any part thereof, nor shall it sell, lease or otherwise dispose of any part of the same, excepting only such machinery, equipment or other property as may be replaced, or shall no longer be necessary for use in connection with said utility.

(f) Except as hereinbefore provided in Section 18, 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 waterworks shall be authorized, executed or issued by the District except such as shall be made subordinate and junior in all respects to the bonds herein authorized, unless all of the bonds herein authorized have been duly called for redemption and sufficient funds to effect the redemption and retirement have been deposited at the place of redemption on the date fixed for redemption in accordance with the terms and conditions of said bonds and this ordinance.

(g) The provisions of this ordinance shall constitute a contract by and between the District and the owners of the waterworks revenue bonds and BANs herein authorized, and after the issuance of said bonds or BANs, this ordinance shall not be repealed or amended in any respect which will adversely affect the rights of the owners of said bonds and BANs, nor shall the Board of Trustees 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 BANs or the interest thereon remain unpaid. The Board of Trustees reserves the right, however, excluding the changes set forth in Section 24(a) through (f), to amend this ordinance without the consent of bond or BAN owners so long as the Board determines, in its sole discretion, that such amendment would not adversely affect the owners of the bonds or BANs.

(h) The provisions of this ordinance shall be construed to create a trust in the proceeds of the sale of the bonds and BANs herein authorized for the uses and purposes therein set forth, and the owners of the bonds and BANs shall retain a lien on such proceeds until the same are applied in accordance with the provisions of this ordinance and of said governing Act. The provisions of this ordinance shall also be construed to create a trust in the Net Revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of said Sinking Fund as in this ordinance set forth. The owners of said bonds shall have all of the rights,

remedies and privileges set forth in this ordinance and the Act, including the right of owners of the bonds to have a receiver appointed to administer said waterworks in the event of default in the payment of 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.

Section 20. (a) So long as USDA is the owner of the bonds, the bonds will not be defeased without the consent of USDA.

(b) When the condition set out in subsection (a) has been met, or if USDA is not the owner of the bonds, and the bonds issued hereunder or any portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the bonds or any portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the bonds then outstanding or any portion thereof 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, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the bonds issued hereunder or any designated portion thereof shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the District's waterworks.

Section 21. (a) The Treasurer is hereby authorized to invest moneys pursuant to IC 5-1-14-3 and the provisions of this ordinance (subject to applicable requirements of federal law to ensure such yield is the then current market rate) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the bonds and BANs under federal law.

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

Section 22. In order to preserve the exclusion of interest on the bonds and BANs from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986 as existing on the date of issuance of the bonds or BANs, as the case may be ("Code") and as an inducement to purchasers of the bonds and BANs, the District represents, covenants and agrees that:

(a) The waterworks will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. No person or entity other than the District or another state or local governmental unit will use more than 10% of the proceeds of the bonds or BANs or property financed by the bond or BAN proceeds other than as a member of the general public. No person or entity other than the District or another state or local governmental unit will own property financed by bond or BAN proceeds or will have any actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, arrangements such as take-or-pay or output contracts or any other type of arrangement that conveys other special legal entitlements and differentiates that person's or entity's use of such property from use by the general public, unless such uses in the aggregate relate to no more than 10% of the proceeds of the BANs or the bonds, as the case may be. If the District enters into a management contract for the waterworks, the terms of the

contract will comply with IRS Revenue Procedure 97-13, as it may be amended, supplemented or superseded for time to time, so that the contract will not give rise to private business use under the Code and the Regulations, unless such use in aggregate relates to no more than 10% of the proceeds of the bonds or BANs, as the case may be.

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

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

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

(e) No more than 5% of the proceeds of the bonds or BANs will be attributable to private business use as described in (a) and private security or payments described in (b) attributable to unrelated or disproportionate private business use. For this purpose, the private business use test is applied by taking into account only use that is not related to any

government use of proceeds of the issue (Unrelated Use) and use that is related but disproportionate to any governmental use of those proceeds (Disproportionate Use).

(f) The District will not take any action nor fail to take any action with respect to the bonds or BANs that would result in the loss of the exclusion from gross income for federal tax purposes on the bonds or BANs pursuant to Section 103 of the Code, nor will the District act in any other manner which would adversely affect such exclusion. The District covenants and agrees not to enter into any contracts or arrangements which would cause the bonds or BANs to be treated as private activity bonds under Section 141 of the Code.

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

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

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

(j) The District represents that:

(1) The bonds and BANs are not private activity bonds as defined in Section 141 of the Code;

(2) The District hereby designates the bonds and BANs as qualified tax-exempt obligations for purposes of Section 265(b) of the Code;

(3) The reasonably anticipated amount of qualified tax-exempt obligations (including qualified 501(c)(3) obligations and tax-exempt leases but excluding other private activity bonds)

which will be issued by the District, and all entities subordinate to the District during 2005 or 2006 does not exceed \$10,000,000; and

(4) The District will not designate more than \$10,000,000 of qualified tax-exempt obligations during 2005 or 2006.

Therefore, the bonds and BANs qualify for the exception in the Code from the disallowance of 100% of the deduction by financial institutions of interest expense allocable to newly acquired tax-exempt obligations.

Section 23. So long as the USDA is the owner of any of the bonds, the District covenants that in addition to the other covenants terms and conditions applicable to the bonds authorized by this ordinance, that it will comply with all conditions set forth by the USDA in its Letter of Conditions, Loan Resolution and any Loan Agreement.

Section 24. Subject to the terms and provisions contained in this section, and not otherwise, the owners of not less than seventy-five percent (75%) 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 District of such ordinance or ordinances supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding in any particular any of the terms or provisions contained in this ordinance, or in any supplemental ordinance; provided, however, that 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, the redemption premium or the rate of interest thereon; or

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

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

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

(f) A reduction in the Reserve Requirement.

If the owners of not less than seventy-five percent (75%) 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 Secretary of the District, 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 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 District 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 District 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 District and the consent of the owners of all the bonds issued pursuant to this ordinance then outstanding.

Section 25. (a) The District, having satisfied all the statutory requirements for the issuance of its bonds, may elect to issue its BAN or BANs pursuant to a Bond Anticipation Note Purchase Agreement ("Purchase Agreement") to be entered into between the District and the purchaser. The Board of Trustees hereby authorizes the issuance and execution of the BAN or BANs in lieu of initially issuing bonds to provide interim construction financing for the Project and other costs of issuance until permanent financing becomes available. It shall not be necessary for the District to repeat the procedures for the issuance of its bonds, as the procedures followed before the issuance of the BAN or BANs are for all purposes sufficient to authorize the issuance of the bonds and the use of the proceeds to repay the BAN or BANs.

(b) The President and the Treasurer are hereby authorized and directed to execute a Purchase Agreement in such form or substance, consistent with the terms of this ordinance, as they shall approve acting upon the advice of counsel. The President, the Secretary and the Treasurer may also take such other actions or deliver such other certificates as are necessary or desirable in connection with the issuance of the BANs or the bonds and the other documents needed for the financing as they deem necessary or desirable in connection therewith.

Section 26. Notwithstanding any other provision of this ordinance, the covenants and authorizations contained in this ordinance ("Tax Sections") which are designed to preserve the exclusion of interest on the bonds and BANs from gross income under federal law ("Tax Exemption") need not be complied with if the District receives an opinion of nationally recognized bond counsel that any Tax Section is unnecessary to preserve the Tax Exemption.

Section 27. All ordinances and parts of ordinances in conflict herewith are hereby repealed.

Section 28. This ordinance shall be in full force and effect from and after its passage.

Adopted this 28 day of NOVEMBER, 2005.

BOARD OF TRUSTEES OF THE LAKE SANTEE
REGIONAL WASTE AND WATER DISTRICT

William L. Murray
Peter C. Zilliox
Byron R. Yell
Clin D. Fredrick
Daniel Kinnell
Robert L. Beysel
William L. Murray

Attest:

Clin D. Fredrick
Secretary

Exhibit A

Description of Project

The Project will be constructed in two (2) Contract Divisions which are defined and outlined as follows:

DIVISION "A" – NEW WATER TREATMENT PLANT

The project shall include, but is not limited to, the following: furnishing, installing, testing and placing into operation: mobilization, bonds, insurance, concrete structures, piping valves, gates, intake screen, pumping stations, membrane filtration system, absorption system, high service pumps, chemical feed systems, instrumentation, SCADA, plumbing, building, miscellaneous metals, coatings, earthwork, site drainage, erosion and sediment control, access roads, concrete sidewalks, chain link fence, seeding, sodding, landscaping, electrical system, HVAC, and baffle system.

DIVISION "B" – WATER TANK REHABILITATION (TO BE BID AT A LATER TIME)

The project shall include, but is not limited to, the following: furnishing, installing, testing and placing into operation: mobilization, bonds, insurance, miscellaneous tank rehabilitation, and tank coating.