



Maturity Date set forth above (unless this bond be subject to and be called for redemption prior to maturity as hereinafter provided), and to pay interest hereon at the Interest Rate per annum stated above from the interest payment date to which interest has been paid next preceding the Authentication Date of this bond unless this bond is authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case it shall bear interest from such interest payment date or unless this bond is authenticated on or before \_\_\_\_\_ 15, 20\_\_, in which case it shall bear interest from the Original Date, until the principal is paid, which interest is payable semiannually on the first day of January 1 and July 1 in each year, beginning on \_\_\_\_\_ 1, 20\_\_.

The principal of this bond is payable at the principal office of U.S. Bank National Association ("Registrar" or "Paying Agent"), in the City of \_\_\_\_\_, Indiana. All payments of interest on this bond shall be paid by check, mailed one business day prior to the interest payment date to the registered owner hereof as of the fifteenth day of the month preceding such interest payment date at the address as it appears on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by the registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the bond shall be made in any coin or currency of the United States of America, which on the dates of such payment, shall be legal tender for the payment of public and private debts.

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

This bond is one of an authorized issue of bonds of the City, of like date, tenor and effect, except as to rates of interest, series designation and dates of maturity; aggregating \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), numbered consecutively from 1 up; issued for the purpose of providing funds to be applied on the cost of additions and improvements to the City's sewage works ("Project"), [to refund interim notes issued in anticipation of the bonds,] and to pay incidental expenses[, including premiums for municipal bond insurance and a debt service reserve surety]. This bond is issued pursuant to an Ordinance adopted by the Common Council of the City on the \_\_\_\_\_ day of \_\_\_\_\_, 2017, entitled "An Ordinance of the City of Lebanon authorizing the issuance of sewage works revenue bonds for the purpose of providing funds to pay the cost of certain additions, extensions and improvements to the municipal sewage works of said City; providing for the safeguarding of the interests of the owners of said bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repealing ordinances inconsistent herewith" ("Ordinance"), and in accordance with the provisions of Indiana law, including without limitation Indiana Code

36-9-23 as in effect on the date of delivery of the bonds of this issue ("Act"), the proceeds of which bonds are to be applied to the costs of the Project[, the payment of notes issued in anticipation of the bonds] and expenses incurred in connection therewith[, including premiums for municipal bond insurance and a debt service reserve surety].

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this bond and all other bonds of said issue and any bonds hereafter issued on a parity therewith are payable solely from the Sewage Works Sinking Fund set forth in the Ordinance ("Sinking Fund") to be provided from the Net Revenues (defined as the gross revenues of the sewage works of the City remaining after the payment of the reasonable expenses of operation, repair and maintenance excluding transfers for payment in lieu of property taxes) of the sewage works of the City now owned or hereafter acquired. The bonds of this issue of which this bond is a part are on a parity with the 2013 Bonds and the 2014 Bonds (as defined in the Ordinance).

The City irrevocably pledges the entire Net Revenues of the sewage works to the prompt payment of the principal of and interest on the bonds authorized by the Ordinance, of which this is one, and any obligations ranking on a parity therewith, including the 2013 Bonds and the 2014 Bonds to the extent necessary for that purpose, and covenants that it will cause to be fixed, maintained and collected such rates and charges for services rendered by the utility as are sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the sewage works and for the payment of the sums required to be paid into the Sinking Fund under the provisions of the Act and the Ordinance. If the City or the proper officers thereof shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the interest on or principal of this bond, the owner of this bond shall have all of the rights and remedies provided for in the Act, including the right to have a receiver appointed to administer the works and to charge and collect rates sufficient to provide for the payment of this bond and the interest hereon.

[The City has designated the Bonds as qualified tax-exempt obligations to qualify 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 the deduction for interest expense allocable to tax-exempt obligations.]

The City further covenants that it will set aside and pay into its Sinking Fund monthly, as available, or more often if necessary, a sufficient amount of the Net Revenues of the works for payment of (a) the interest on all bonds which by their terms are payable from the revenues of the sewage works, as such interest shall fall due, (b) the necessary fiscal agency charges for paying bonds and interest, (c) the principal of all bonds which by their terms are payable from the revenues of the sewage works, as such principal shall fall due, and (d) an additional amount as a margin of safety to [create and] maintain the debt service reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of the sewage works, on a parity with the 2013 Bonds and the 2014 Bonds.

The bonds of this issue maturing on \_\_\_\_\_, and thereafter, are redeemable at the option of the City on \_\_\_\_\_, or any date thereafter, on

thirty (30) days' notice, in whole or in part, in the order of maturity and by lot within a maturity, at face value together with the following premiums:

\_\_\_% if redeemed on \_\_\_\_\_, or thereafter  
on or before \_\_\_\_\_;  
\_\_\_% if redeemed on \_\_\_\_\_, or thereafter  
on or before \_\_\_\_\_;  
0% if redeemed on \_\_\_\_\_, or thereafter  
prior to maturity;

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

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

<u>Year</u>	<u>Amount</u>
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\$

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\* Final Maturity]

Each Five Thousand Dollars (\$5,000) principal amount shall be considered a separate bond for purposes of optional [and mandatory] redemption. If less than an entire maturity is called for redemption, the bonds to be redeemed shall be selected by lot by the Registrar. [If some bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the bonds for optional redemption before selecting the bonds by lot for the mandatory sinking fund redemption.]

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

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

This bond is transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Registrar by the registered owner hereof in person, or by his attorney duly authorized in writing, upon surrender of this bond together with a

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

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

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

The bonds maturing in any one year are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the execution, issuance and delivery of this bond have been done and performed in regular and due form as provided by law. This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by an authorized representative of the Registrar.

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

CITY OF LEBANON, INDIANA

By: \_\_\_\_\_  
Mayor

[SEAL]

Attest:

\_\_\_\_\_  
Clerk-Treasurer

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

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

\_\_\_\_\_  
as Registrar

By: \_\_\_\_\_  
Authorized Representative

[INSURANCE LEGEND – if applicable]

ASSIGNMENT

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

Dated: \_\_\_\_\_

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

NOTICE: The signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

[End of Bond Form]

Section 7. Authorization for Preparation and Sale of the BANs and the Bonds, Bond Insurance, Rating and Official Statement. (a) The Clerk-Treasurer is hereby authorized and directed to have the BANs and the Bonds prepared, and the Mayor and the Clerk-Treasurer are hereby authorized and directed to execute and attest the BANs and the Bonds in the form and manner provided herein.

(b) The Clerk-Treasurer is hereby authorized and directed to deliver the BANs and the Bonds to the respective purchasers thereof. At the time of delivery of the BANs and the

Bonds, the Clerk-Treasurer shall collect the full amount which the respective purchasers have agreed to pay therefor, which amount shall not be less than 99% of the face value of the BANs and not less than 98% of the face value of the Bonds, as the case may be.

(c) Distribution of an Official Statement (preliminary and final) for the Bonds, prepared by H.J. Umbaugh & Associates on behalf of the City, is hereby authorized and approved and the Mayor and the Clerk-Treasurer are authorized and directed to execute the Official Statement on behalf of the City in a form consistent with this ordinance. The Mayor or Clerk-Treasurer is hereby authorized to designate the preliminary Official Statement as “nearly final” for purposes of Rule 15c2-12 as promulgated by the Securities and Exchange Commission.

(d) In the event the municipal advisor to the City certifies to the City that it would be economically advantageous for the City to obtain a municipal bond insurance policy the City hereby authorizes the purchase of such an insurance policy. If such an insurance policy is purchased, the Mayor and the Clerk-Treasurer are hereby authorized to execute and deliver all agreements with the provider of the policy to the extent necessary to comply with the terms of such insurance policy and the commitment to issue such policy. Such agreement shall be deemed a part of this ordinance for all purposes and is hereby incorporated herein by reference.

(e) Prior to the delivery of the Bonds, the Clerk-Treasurer shall be authorized, but not required, to investigate and obtain insurance (as set forth above), surety bonds and/or credit ratings on the Bonds.

Section 8. Bond Sale Notice. (a) Prior to the sale of the Bonds, the Clerk-Treasurer shall cause to be published either (i) a notice of bond sale in the authorized newspaper(s) published in the City, two (2) times, at least one (1) week apart, the first publication made at least fifteen (15) days before the date of the sale and the second publication being made at least

three (3) days before the date of the sale in accordance with Indiana Code 5-3-1, as amended , or (ii) a notice of intent to sell bonds in the authorized newspaper(s) and in a newspaper of general circulation published in the State capital, all in accordance with Indiana Code 5-1-11 and Indiana Code 5-3-1, each as amended. Such notice, or summary thereof, may also be published in any other publications deemed appropriate in the discretion of the Clerk-Treasurer. The notice shall state the time and place of sale, the purpose for which the Bonds are being issued, the amount and the authorized denominations of the Bonds, the maximum rate or rates of interest thereon, the terms and conditions upon which bids will be received and the sale made, and such other information as the Clerk-Treasurer and the attorneys employed by the City shall deem advisable. The method of bid submission may be determined by the City upon the guidance of its municipal advisor and shall be set forth in the sale notice including electronic bids submitted through Parity. The notice shall provide, among other things, that the successful bidder for the Bonds will be required to provide the City a good faith deposit in the form of certified or cashier's check, or wire transfer in an amount equal to 1% of the par amount of the Bonds described in the notice no later than 3:30 p.m. E.T. on the business day immediately following the award to guarantee performance on the part of the successful bidder. In the event the successful bidder shall fail or refuse to accept delivery of the Bonds and pay for the same as soon as the Bonds are ready for delivery, or at the time fixed in the notice of sale, then said check and the proceeds thereof shall be the property of the City and shall be considered as its liquidated damages on account of such default. All bids for the Bonds shall be sealed and shall be presented to the Clerk-Treasurer or her designee at the physical or electronic address identified in the notice. Bidders for the Bonds will be required to name the rate or rates of interest which the Bonds are to bear, not exceeding the maximum rate hereinbefore fixed, and such interest rate or rates shall

be in multiples of one-eighth (1/8) or one-one hundredth (1/100) 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. The rate bid on any maturity shall be equal to or greater than the rate bid on the immediately preceding maturity. No conditional bid or bid for less than 98% of the face amount of the Bonds will be considered. The opinion of Krieg DeVault LLP, bond counsel of Indianapolis, Indiana, approving the legality of the Bonds, will be furnished to the purchaser at the expense of the City.

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

Section 9. Use of Proceeds and Costs of Issuance. The proceeds from the sale of the Bonds, to the extent not used to refund BANs, and BAN proceeds, shall be deposited in a bank or banks which are legally designated depositories for the funds of the City, in a special account or accounts to be designated as "City of Lebanon, Sewage Works Construction Account" ("Construction Account"). All funds deposited to the credit of the Sinking Fund (as defined

herein) 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 Indiana Code 5-13, as amended and supplemented. The funds in the Construction Account shall be expended only for the purpose of paying the cost of the Project, refunding the BANs, if issued, or as otherwise required by the Act or for the remaining expenses of issuance of the Bonds. The cost of obtaining any insurance, surety bonds, credit ratings and the legal services of Krieg DeVault LLP, shall be considered as a part of the cost of the Project on account of which the BANs and Bonds are issued. Any balance or balances remaining unexpended in such special account or accounts after completion of the Project, which are not required to meet unpaid obligations incurred in connection with such Project, shall either (1) be paid into the Sinking Fund and used solely for the purposes of 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 Indiana Code 5-1-13, as amended and supplemented.

Section 10. Accrued Interest. The accrued interest received at the time of delivery of the Bonds, if any, and premium, if any, shall be deposited in the Sinking Fund, herein continued in Section 15, to be credited to the Bond and Interest Account of the Sinking Fund.

Section 11. Financial Records and Accounts; Continuing Disclosure. (a) The City shall keep proper records and books of account, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues received on account of the operation of the sewage works and all disbursements made therefrom and all transactions relating to the utility. The City shall maintain on file the audited financial statements of the utility prepared by the State Board of Accounts. Copies of all such statements and reports shall be kept on file in the office of the Clerk-Treasurer.

(b) The Common Council hereby approves, authorizes and directs the Mayor and Clerk-Treasurer, for and on behalf of the City, to execute, attest and deliver, and to perform the obligations of the City under, a Continuing Disclosure Undertaking Agreement (the "Agreement") from the City to each registered owner or holder of any of the Bonds. The Mayor and the Clerk-Treasurer are authorized to approve the form of the Agreement, such determination to be conclusively evidenced by such Mayor's and such Clerk-Treasurer's execution thereof. Notwithstanding any other provisions of this ordinance, failure of the City to comply with the Agreement shall not be considered an event of default under the Bonds or this ordinance.

Section 12. Pledge of Net Revenues. The interest on and the principal of the Bonds issued pursuant to the provisions of this ordinance, and any bonds hereafter issued on a parity therewith, shall constitute a first charge on all the Net Revenues, on a parity with the 2013 Bonds and the 2014 Bonds, and such Net Revenues are hereby irrevocably pledged to the payment of the interest on and principal of such Bonds, to the extent necessary for that purpose.

Section 13. Revenue Fund. All revenues derived from the operation of the sewage works and from the collection of sewer rates and charges shall be deposited in the Revenue Fund ("Revenue Fund"), hereby continued, 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 works shall be paid, the principal and interest of all bonds and fiscal agency charges of registrars or paying agents shall be paid, the reserve shall be funded, and the costs of replacements, extensions, additions and improvements shall be paid.

Section 14. Operation and Maintenance Fund. The Operation and Maintenance Fund ("O&M Fund") is hereby continued. On the last day of each calendar month, revenues of the

sewage works shall thereafter be transferred from the Revenue Fund to the O&M Fund. The balance maintained in the O&M Fund shall be sufficient to pay the expenses of operation, repair and maintenance for the then 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 the fund shall be used for transfers for payment in lieu of property taxes, depreciation, improvements, extensions or additions. Any moneys in the O&M Fund may be transferred to the Sewage Works Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding bonds of the sewage works.

Section 15. Sewage Works Sinking Fund. (a) There is hereby continued the Sewage Works Sinking Fund ("Sinking Fund"). As set forth herein, the Sinking Fund shall be used for the payment of the principal of and interest on revenue bonds which by their terms are payable from the Net Revenues of the sewage works and the payment of any fiscal agency charges in connection with the payment of Bonds. There is hereby continued within the Sinking Fund the "Bond and Interest Account" and the "Debt Service Reserve Account." There shall be set aside and deposited in the Sinking Fund, as available, and as hereinafter provided, a sufficient amount of the Net Revenues of the sewage works to meet the requirements of the Bond and Interest Account and Debt Service Reserve Account. Such payments shall continue until the balances in the Bond and Interest Account and the Debt Service Reserve Account equal the principal of and interest on all of the then outstanding bonds of the sewage works to their final maturity and provide for payment of all fiscal agency charges.

(b) Bond and Interest Account. There shall be credited on the last day of each calendar month from the Revenue Fund to the Bond and Interest Account of the Sinking Fund

("Bond and Interest Account") an amount of the Net Revenues equal to (i) at least one-sixth (1/6) of the interest on all then outstanding bonds payable on the then next succeeding interest payment date, (ii) at least one-sixth (1/6) of the principal on all then outstanding bonds payable on the then next succeeding principal payment date, until the amount of interest and principal payable on the then next succeeding interest and principal payment dates shall have been so credited. There shall similarly be credited to the account any amount necessary to pay the bank fiscal agency charges for paying interest on outstanding bonds as the same become payable. The City shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owner or to the bank fiscal agency sufficient moneys to pay the interest and principal on the due dates thereof together with the amount of bank fiscal agency charges.

In no event shall any part of the Sewage Works Sinking Fund be used in calling bonds for redemption prior to their respective maturities, except to the extent that the amount then in the Sewage Works Sinking Fund exceeds the amount required to pay the bonds which will mature within a period of twelve (12) calendar months next following the date of such redemption, together with all interest on bonds payable in such period. Any such excess of funds above such required level may also be used in purchasing outstanding bonds at a price less than the then applicable redemption price, with the prior approval of the City. Monies in the Sewage Works Sinking Fund shall not be used for any other purpose whatsoever except as provided in this Ordinance.

(c) Debt Service Reserve Account. On the date of delivery of the Bonds, funds on hand of the sewage works, Bond proceeds or a combination thereof may be deposited into the Debt Service Reserve Account. The balance maintained in the Debt Service Reserve Account

shall equal, but not exceed, the least of (i) the maximum annual principal and interest requirements on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account, (ii) 125% of average annual principal and interest requirements on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account or (iii) 10% of the stated principal amount (or, if issued with more than a de minimus amount of original issue discount or premium, the issue price) of the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account (the least of (i), (ii) or (iii), the "Reserve Requirement"). If the initial deposit does not cause the balance therein to equal the Reserve Requirement or if no initial deposit is made, the City shall deposit a sum of Net Revenues into the Reserve Account on the last day of each calendar month until the balance in the Reserve Account equals but does not exceed the Reserve Requirement. The monthly deposits of Net Revenues 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 Debt Service Reserve Account shall constitute the margin for safety and protection against default in the payment of principal of and interest on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account, and the moneys in the Debt Service Reserve Account shall be used to pay current principal and interest on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiency in the balance maintained in the Debt Service Reserve Account shall be made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. In the event moneys in the Debt Service Reserve

Account are transferred to the Bond and Interest Account to pay principal and interest on the 2013 Bonds, the 2014 Bonds and the Bonds or any additional bonds with any claim on the Debt Service Reserve Account, then such depletion of the balance in the Debt Service Reserve Account shall be made up from the next available Net Revenues after the credits into the Bond and Interest Account.

Any moneys in the Debt Service Reserve Account in excess of the Reserve Requirement may be used for the redemption of then outstanding 2013 Bonds, the 2014 Bonds and the Bonds or any additional bonds with any claim on the Debt Service Reserve Account which are callable, or for the purchase of outstanding 2013 Bonds, the 2014 Bonds and the Bonds or any additional bonds with any claim on the Debt Service Reserve Account, including accrued interest, or shall be transferred to the Sewage Works Improvement Fund.

The City may at any time and from time to time fund all or any part of the Debt Service Reserve Account by depositing in the Debt Service Reserve Account one or more debt service reserve surety bonds or insurance policies, letters of credit or other credit instruments (each, a "Reserve Account Credit Instrument"), each of which is issued by an insurance company or bank or trust company rated at the time of deposit in one of the two highest rating categories by S&P or Moody's. As long as any Reserve Account Credit Instrument is in full force and effect, any valuation of the Debt Service Reserve Account shall treat the maximum amount available under such Reserve Account Credit Instrument as its value. If the City acquires a Reserve Account Credit Instrument to satisfy the Reserve Requirement, the Mayor and the Clerk-Treasurer are hereby authorized to execute and deliver all agreements with the provider of the surety or such other instrument to the extent necessary to comply with such terms. Such agreement shall be deemed a part of this ordinance for all purposes and is hereby incorporated herein by reference.

In the event a draw is made against the Reserve Account insurance policy(s) or surety bond policies (the "Reserve Policy"), the City shall repay the amount of the draw and related expenses incurred by the financial insurance company together with interest thereon at a rate set forth in the Reserve Policy from available Net Revenues on terms set forth in the Reserve Policy or related agreements.

Section 16. Sewage Works Improvement Fund. After meeting the requirements of the Operation and Maintenance Fund and the Sinking Fund, any excess revenues may be transferred or credited from the Revenue Fund to a fund designated the "Sewage Works Improvement Fund," hereby continued ("Improvement Fund"), and the Improvement Fund shall be used for improvements, replacements, additions and extensions of the sewage works. 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 Debt Service Reserve Account (in that order) or may be transferred to the O&M Fund to meet unforeseen contingencies in the operation, repair and maintenance of the sewage works. Moneys in the Improvement Fund may also be transferred for payments in lieu of property taxes to the City.

Section 17. Investment of Funds. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the City. The O&M 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 City and apart from the Sinking Fund account or accounts. All moneys deposited in the accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that moneys therein may be invested in

obligations in accordance with the applicable laws, including particularly Indiana Code, Title 5, Article 13, as amended or supplemented, and in the event of such investment the income therefrom shall become a part of the funds invested and shall be used only as provided in this ordinance.

Section 18. Defeasance of the Bonds. If, when the Bonds or a portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or a portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds or a portion thereof then outstanding shall be paid; or (i) 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 or any designated portion thereof issued hereunder shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the City's sewage works.

Section 19. Rate Covenant. The City covenants and agrees that it will establish and maintain just and equitable rates or charges for the use of and the service rendered by the works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses said sewage works by or through any part of the sewage system of the City, or that in any way uses or is served by such works; that such rates or charges shall be sufficient in each year to provide for the payment of the proper and reasonable expenses of operation, repair and maintenance of the works, and for the payment of 110% of the sums required to be paid into the

Sinking Fund by the Act and this ordinance. Such rates and charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance of the sewage works and 110% of the requirements of the Sinking Fund. The rates and charges so established shall apply to any and all use of such works by and service rendered to the City and all departments thereof, and shall be paid by the City or the various departments thereof as the charges accrue.

Section 20. Additional Bond Provisions. The City reserves the right to authorize and issue additional BANs at any time ranking on a parity with the BANs. The City reserves the right to authorize and issue additional bonds or other obligations payable out of the Net Revenues of its sewage works ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to its sewage works, or to refund obligations, subject to the following conditions:

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

(b) The Reserve Requirement for the outstanding 2013 Bonds, the outstanding 2014 Bonds, the Bonds and any additional outstanding parity bonds has been funded in accordance with this Ordinance and the Reserve Requirement shall be increased proportionately for any additional bonds ranking on parity with the outstanding Bonds.

(c) The Net Revenues of the sewage works in the fiscal year immediately preceding the issuance of any such bonds ranking on a parity with the Bonds shall not be less than one hundred twenty-five percent (125%) of the maximum annual principal and interest requirements of the then outstanding bonds and the additional parity bonds proposed to be issued; or, prior to

the issuance of the parity bonds the sewage rates and charges shall be increased sufficiently so that increased rates and charges applied to the previous year's operations would have produced Net Revenues for said year equal to not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of all bonds payable from the revenues of the sewage works, including the additional parity bonds proposed to be issued. For purposes of this subsection, the records of the sewage works shall be analyzed and all showings prepared by a certified public accountant employed by the City for that purpose.

(d) The principal of, or mandatory sinking fund redemption amounts of, and interest on the additional parity bonds shall be payable semiannually on the first days of January and July.

Any additional bonds payable out of the Net Revenues of the sewage works issued on a parity with the 2013 Bonds, the 2014 Bonds or the Bonds shall, unless otherwise provided in the ordinance authorizing the issuance of such additional bonds, have a claim on the Debt Service Reserve Account on a parity with the 2013 Bonds, the 2014 Bonds, the Bonds and any other such additional bonds.

Section 21. Further Covenants of the City; Maintenance, Insurance, Pledge Not To Encumber, Subordinate Indebtedness, and Contract with Bondholders. For the purpose of further safeguarding the interests of the owners of the BANs and the Bonds, it is hereby specifically provided as follows:

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

(b) So long as any of the Bonds or BANs are outstanding, the City shall maintain insurance including fidelity bonds, on the insurable parts of the system of a kind and in an amount such as is usually carried by private corporations engaged in a similar type of business. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana. As an alternative to maintaining such insurance, the City may maintain a self- insurance program with catastrophic or similar coverage so long as such program meets the requirements of any applicable laws or regulations and is maintained in a manner consistent with programs maintained by similarly situated municipalities.

All insurance or self-insurance proceeds shall be used either in replacing or restoring the property destroyed or damaged, or if not used for such purposes, shall be treated and applied as net revenues of the sewage works.

(c) So long as any of the BANs or Bonds are outstanding, the City shall not, either directly or indirectly, mortgage, pledge or otherwise encumber the property and plant of its sewage works system, or any part thereof, and shall not sell, lease or otherwise dispose of any portion thereof except to replace equipment which may become worn out or otherwise obsolete.

(d) Except as otherwise specifically provided in Section 20 of this ordinance, so long as any of the Bonds are outstanding, no additional bonds or other obligations pledging any portion of the revenues of the system shall be authorized, issued or executed by the City, except such as shall be made subordinate and junior in all respects to the Bonds, unless all of the Bonds are redeemed or defeased pursuant to Section 18 hereof coincidentally with the delivery of such additional bonds or other obligations.

(e) All contracts let by the City in connection with the construction of the Project shall be let after due advertisement as required by the laws of the State of Indiana, and all