

BOARD OF SANITARY COMMISSIONERS
HOBART SANITARY DISTRICT

BOND RESOLUTION NO. 2012-05

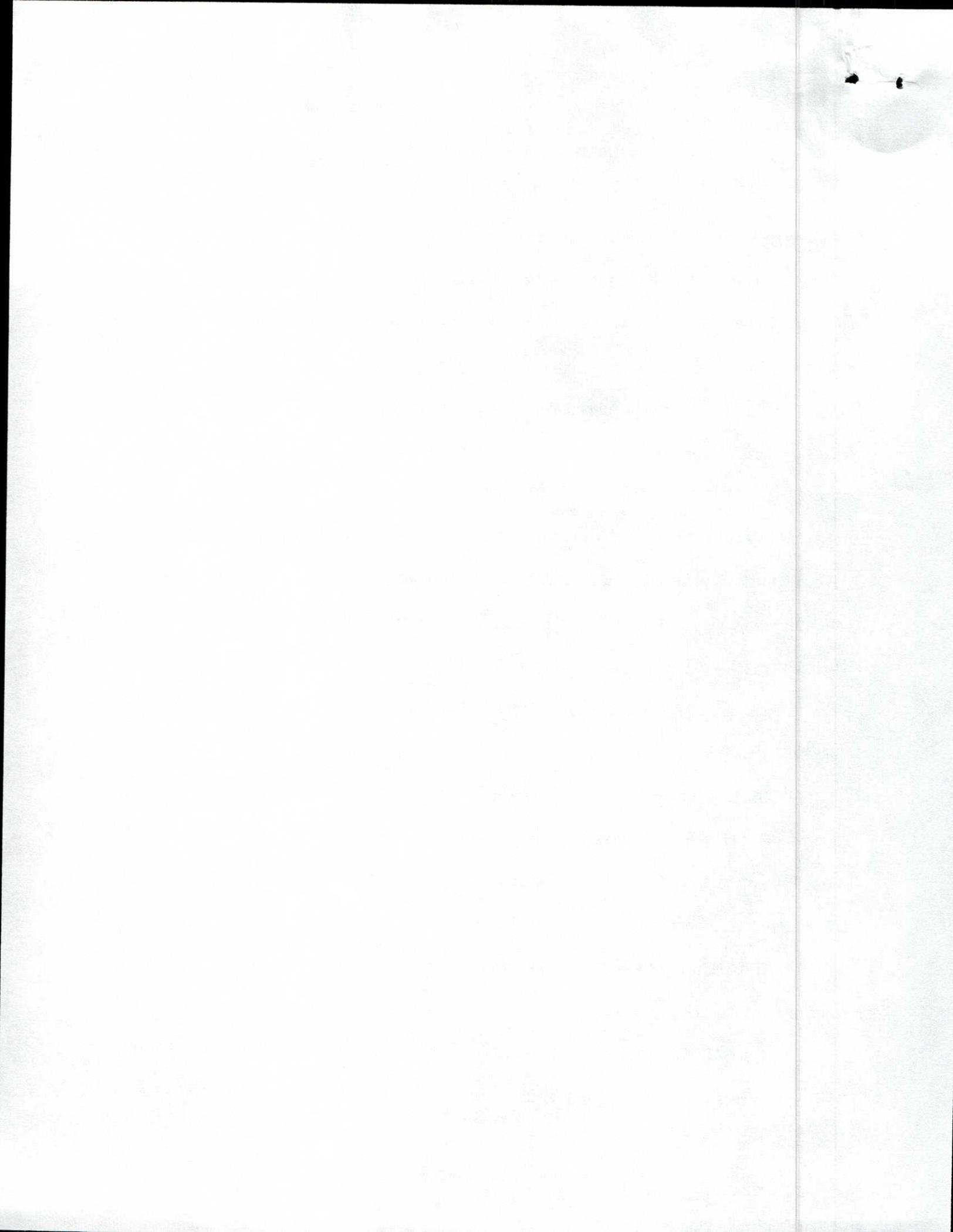
WHEREAS, the Board of Sanitary Commissioners ("Board") of the Hobart Sanitary District ("District") of the City of Hobart, Indiana ("City") has heretofore established, constructed and financed its sewage works, and now owns and operates said sewage works pursuant to IC 36-9-25; and

WHEREAS, the Board finds that certain improvements and extensions to said works are necessary; that certain reports containing general plans, descriptions and estimates have been prepared and filed by the engineers employed by the District for the construction of said improvements and extensions (as more fully set forth in Exhibit A hereto and made a part hereof) ("Project"), which plans and specifications have been or will be submitted to all governmental authorities having jurisdiction, particularly the Indiana Department of Environmental Management ("Department"), 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 Board as required by law; and

WHEREAS, on September 20, 2012, the Board, being the governing body of the District, adopted a Declaratory Resolution declaring that it is necessary for the public health and welfare and will be of public utility and benefit to construct the Project as more fully described in said Declaratory Resolution; and

WHEREAS, on October 10, 2012, after notice and public hearing thereon, the Board confirmed the Declaratory Resolution by the adoption of a Confirmatory Resolution; and

WHEREAS, the District has advertised for and received bids for the construction of the Project; said bids are subject to the District's determination to construct the Project and subject



to the District obtaining funds to pay for the Project; that on the basis of said bids, the cost of the Project, as defined in IC 36-9-1-8, including estimated incidental expenses, is in the estimated amount of Four Million Five Hundred Fifty Thousand Dollars (\$4,550,000); and

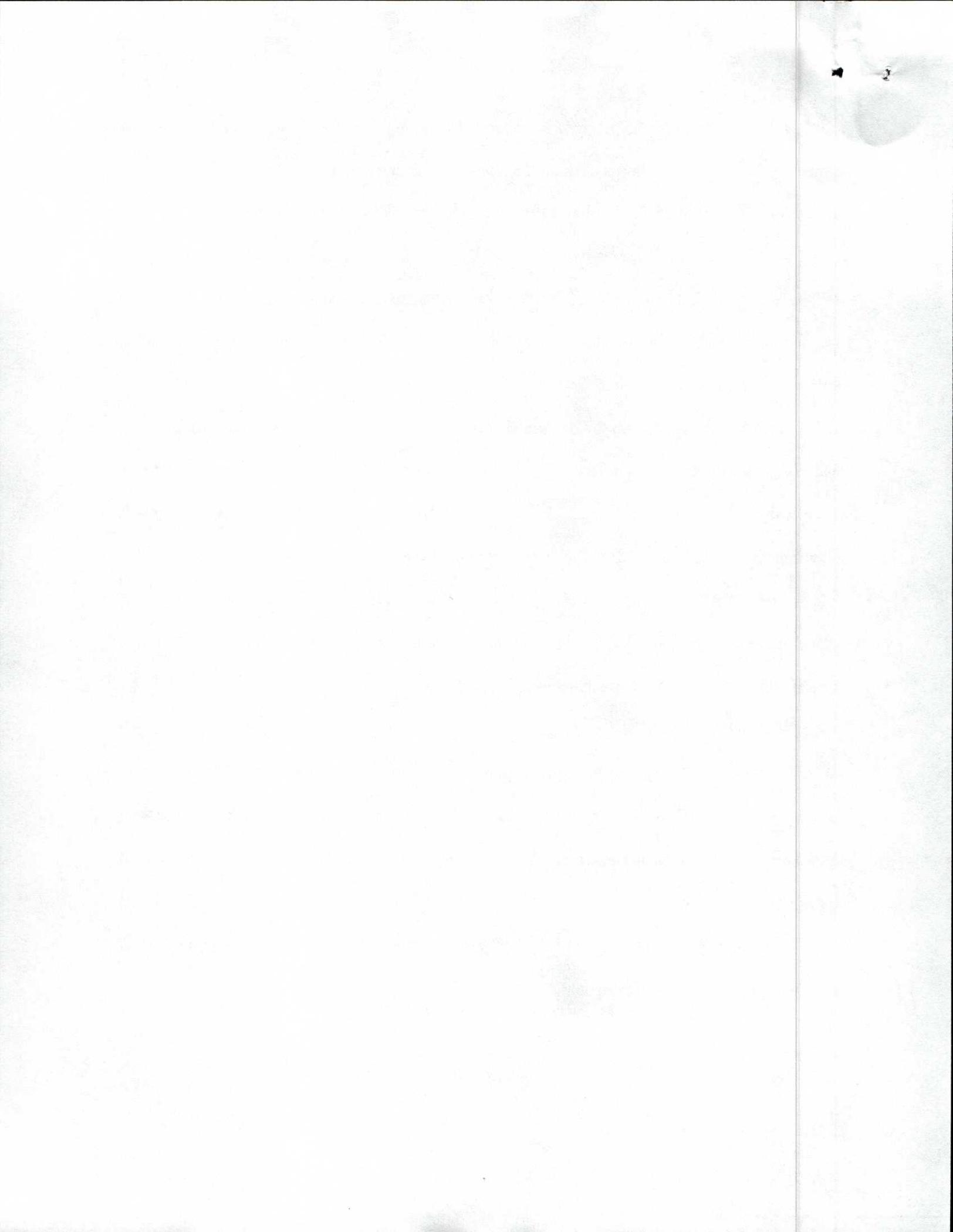
WHEREAS, the Board finds that the District has no funds on hand and that it is necessary to finance the costs of the Project by the issuance of revenue bonds of the District, in one or more series, in an aggregate amount not to exceed \$4,550,000 and, if necessary, bond anticipation notes ("BANs"); and

WHEREAS, the bonds to be issued pursuant to this resolution will constitute a first charge against the Net Revenues (as hereinafter defined) of the sewage works and are to be issued subject to the provisions of IC 36-9-25, as in effect on the date of issuance of the bonds authorized hereunder ("Act"), and the terms and restrictions of this resolution; and

WHEREAS, the Board desires to authorize the issuance of BANs hereunder, if necessary, in one or more series, payable from the proceeds of the bonds issued hereunder and to authorize the refunding of the BANs, if issued; and

WHEREAS, the District may enter into a Financial Assistance Agreement with the Indiana Finance Authority ("Authority") as part of its wastewater loan program established and existing pursuant to IC 4-4-11 and IC 13-18-13 ("SRF Program"), pertaining to the Project and the financing of the Project ("Financial Assistance Agreement") if any bonds or BANs are sold to the SRF Program; and

WHEREAS, the District may accept other forms of financial assistance, as and if available, from the SRF Program; and



WHEREAS, the Board now finds that all conditions precedent to the adoption of a resolution authorizing the issuance of said bonds and BANs have been complied with in accordance with the provisions of the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SANITARY COMMISSIONERS OF THE HOBART SANITARY DISTRICT THAT:

Section 1. Authorization of Project. The District will proceed with the construction of the Project as set out in the Declaratory Resolution as confirmed by the Confirmatory Resolution and in accordance with the general plans, specifications, descriptions and estimates heretofore prepared and filed by consulting engineers employed by the District, which general plans, specifications, descriptions and estimates are now on file or will be subsequently placed on file in the office of the Board of Sanitary Commissioners and be open for public inspection pursuant to IC 36-1-5-4, and are hereby adopted and approved, and by reference made a part of this resolution as fully as if the same were attached hereto and incorporated herein. The estimated cost of construction of the Projects is expected to not exceed \$4,550,000, plus investment earnings on the BAN and bond proceeds. The terms "sewage works," "sewage works system," "works," "system," and words of like import where used in this resolution shall be construed to mean the Treatment Works, as defined in the Financial Assistance Agreement, and includes the existing sewage works system and all real estate and equipment used in connection therewith and appurtenances thereto, and all extensions, additions and improvements thereto and replacements thereof now or at any time hereafter constructed or acquired. The Project shall be constructed in accordance with the general plans, specifications, descriptions and estimates heretofore mentioned, which Project is hereby approved. The Project shall be constructed and

the BANs and bonds herein authorized shall be issued pursuant to and in accordance with the Act.

Section 2. Issuance of BANs and Bonds. (a) The District hereby authorizes the Clerk-Treasurer of the City ("Clerk-Treasurer") to prepare and issue, if necessary, the BANs, in one or more series, for the purpose of procuring interim financing to apply on the cost of the Project. The BANs may be issued, in an aggregate amount not to exceed Four Million Five Hundred Fifty Thousand Dollars (\$4,550,000) to be designated "Sanitary District Bond Anticipation Notes of _____" (to be completed with the year in which issued and appropriate series designation, if any) ("BANs"). The BANs shall be sold at not less than 99% of their par value or at a price not less than 100% of their par value if sold to the Authority as part of the SRF Program, shall be numbered consecutively from 1 upward, shall be in any multiple of One Thousand Dollars (\$1,000) or, if sold to the Authority as part of the SRF Program, One Dollar (\$1), as designated in the hereinafter defined Purchase Agreement, shall be dated as of the date of delivery thereof, and shall bear interest at a rate not to exceed 5% per annum (the exact rate or rates to be determined through negotiations with the purchaser of the BANs) payable upon redemption or maturity. Each series of BANs will mature no later than five (5) years after their date of delivery. The BANs are subject to renewal or extension at an interest rate or rates not to exceed 5% per annum (the exact rate or rates to be negotiated with the purchaser of the BANs). The term of the BANs and all renewal BANs may not exceed five years from the date of delivery of the initial BANs. The BANs shall be registered in the name of the purchasers thereof. Payment on the BANs may be made in installments.

The BANs shall be issued pursuant to IC 4-4-11 and IC 13-18-13 if sold to the Authority, 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

period ending no later than twenty (20) years after substantial completion of the Project (determined under the Financial Assistance Agreement for any Bonds sold to the Authority as part of its SRF Program). For any Bonds sold to the Authority as part of its SRF Program, the Bonds shall mature in such amounts that will allow the District to meet the coverage and/or amortization requirements of the SRF Program and such debt service schedule shall be finalized and set forth in the Financial Assistance Agreement. For any Bonds not sold to the Authority as part of its SRF Program, such Bonds may mature in amounts that produce as level annual debt service as practicable with \$5,000 denominations.

All or a portion of each series of Bonds may be issued as one or more term bonds, upon election of the purchaser thereof. Such term bonds shall have a stated maturity or maturities consistent with the maturity schedule determined in accordance with the preceding paragraph, in the years as determined by the purchaser thereof, but in no event later than the last serial maturity date of the Bonds as determined in the preceding paragraph. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date, on principal payment dates which are hereinafter determined in accordance with the preceding paragraph.

Each series of Bonds issued hereunder shall rank of a parity with any other Bonds issued hereunder for all purposes, including the pledge of Net Revenues under this resolution.

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

Notwithstanding anything contained herein, the District may accept any other forms of financial assistance, as and if available, from the SRF Program (including without limitation any forgivable loans, grants or other assistance whether available as an alternative to any Bond or

BAN related provision otherwise provided for herein or as a supplement or addition thereto). If required by the SRF Program to be eligible for such financial assistance, one or more of the series of the Bonds issued hereunder may be issued on a basis such that the payment of the principal of or interest on such series of Bonds is junior and subordinate to the payment of the principal of and interest on other series of Bonds issued hereunder (and/or any other revenue bonds secured by a pledge of Net Revenues, whether now outstanding or hereafter issued), all as provided by the terms of such series of Bonds as modified pursuant to this authorization. Such financial assistance, if any, shall be as provided in the Financial Assistance Agreement and the Bonds of each series of Bonds issued hereunder (including any modification made pursuant to the authorization in this paragraph to the form of Bond otherwise contained herein).

(c) The Mayor and Clerk-Treasurer are authorized, on behalf of the City, to select and appoint a qualified financial institution to serve as Registrar and Paying Agent for the Bonds, which Registrar is hereby charged with the responsibility of authenticating the Bonds ("Registrar" or "Paying Agent"). The Clerk-Treasurer is hereby authorized, on behalf of the Board, to enter into such agreements or understandings with such institution as will enable the institution to perform the services required of a Registrar and Paying Agent. The Clerk-Treasurer is further authorized to pay such fees as the institution may charge for the services it provides as Registrar and Paying Agent, and such fees may be paid from the Sewage Works Sinking Fund established to pay the principal of and interest on the Bonds and fiscal agency charges.

As to the BANs and as to the Bonds, if sold to the Authority as part of its SRF Program or any other purchaser that does not object to such designation, the Clerk-Treasurer may serve as

Registrar and Paying Agent and, in that case, is hereby charged with the duties of a Registrar and Paying Agent.

If any Bonds or BANs are sold to the Authority as part of its SRF Program, the principal of and interest thereon shall be paid by wire transfer to such financial institution if and as directed by the Authority on the due date of such payment or, if such due date is a day when financial institutions are not open for business, on the business day immediately after such due date. So long as the Authority as part of its SRF Program is the owner of the Bonds or BANs, such Bonds or BANs shall be presented for payment as directed by the Authority.

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

All payments on the BANs and Bonds shall be made in any coin or currency of the United States of America, which on the date of such payment, shall be legal tender for the payment of public and private debts.

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

(e) The Registrar and Paying Agent may at any time resign as Registrar and Paying Agent upon giving 30 days' notice in writing to the City and by first class mail to each registered owner of the Bonds then outstanding, and such resignation will take effect at the end of such 30 day period or upon the earlier appointment of a successor registrar and paying agent by the City. Any such notice to the City may be served personally or sent by registered mail. The Registrar and Paying Agent may be removed at any time as Registrar and Paying Agent by the City, in which event the City may appoint a successor registrar and paying agent. The City shall notify each registered owner of the Bonds then outstanding by first class mail of the removal of the

Registrar and Paying Agent. Notices to the registered owners of the Bonds shall be deemed to be given when mailed by first class mail to the addresses of such registered owners as they appear on the registration books kept by the Registrar.

Upon the appointment of any successor registrar and paying agent by the City, the Clerk-Treasurer is authorized and directed to enter into such agreements and understandings with such successor registrar and paying agent as will enable the institution to perform the services required of a registrar and paying agent for the Bonds. The Clerk-Treasurer is further authorized to pay such fees as the successor registrar and paying agent may charge for the services it provides as registrar and paying agent and such fees may be paid from the Sewage Works Sinking Fund created in Section 13 hereof. Any predecessor registrar and paying agent shall deliver all of the Bonds and any cash or investments in its possession with respect thereto, together with the registration books, to the successor registrar and paying agent.

(f) Interest on Bonds sold to the Authority as part of its SRF Program shall be paid from the date or dates of payments made by the Authority as part of its purchase of the Bonds pursuant to the Financial Assistance Agreement. Interest on Bonds sold to any other purchaser which are authenticated on or before the Record Date which precedes the first interest payment date shall be paid from their original date. Interest on Bonds authenticated subsequent to the Record Date which precedes the first interest payment date thereon shall be paid from the interest payment date to which interest has been paid as of the date on which such Bonds are authenticated, unless a Bond is authenticated between the Record Date and the interest payment date in which case the interest shall be paid from such interest payment date.

(g) The Board has determined that it may be beneficial to have the Bonds held by a central depository system pursuant to an agreement between the City and The Depository Trust

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

With respect to the Bonds registered in the register kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company, the Board, the City and the Paying Agent shall have no responsibility or obligation to any other holders or owners (including any beneficial owner ("Beneficial Owner")) of the Bonds with respect to (i) the accuracy of the records of the Depository Trust Company, CEDE & CO., or any Beneficial Owner with respect to ownership questions, (ii) the delivery to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any notice with respect to the Bonds including any notice of redemption, or (iii) the payment to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any amount with respect to the principal of, or premium, if any, or interest on the Bonds except as otherwise provided herein.

No person other than the Depository Trust Company shall receive an authenticated Bond evidencing an obligation of the Board to make payments of the principal of and premium, if any, and interest on the Bonds pursuant to this resolution. The Board, the City and the Registrar and Paying Agent may treat as and deem the Depository Trust Company or CEDE & CO. to be the absolute bondholder of each of the Bonds for the purpose of (i) payment of the principal of and premium, if any, and interest on such Bonds; (ii) giving notices of redemption and other notices

permitted to be given to bondholders with respect to such Bonds; (iii) registering transfers with respect to such Bonds; (iv) obtaining any consent or other action required or permitted to be taken of or by bondholders; (v) voting; and (vi) for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Depository Trust Company, and all such payments shall be valid and effective fully to satisfy and discharge the Board's, the City's and the Paying Agent's obligations with respect to principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by the Depository Trust Company to the Board of written notice to the effect that the Depository Trust Company has determined to substitute a new nominee in place of CEDE & CO., and subject to the provisions herein with respect to consents, the words "CEDE & CO." in this resolution shall refer to such new nominee of the Depository Trust Company. Notwithstanding any other provision hereof to the contrary, so long as any Bond is registered in the name of CEDE & CO., as nominee of the Depository Trust Company, all payments with respect to the principal of and premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Depository Trust Company as provided in a representation letter from the City to the Depository Trust Company.

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

transferring or exchanging the Bonds shall designate, in accordance with the provisions of this resolution.

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

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

In connection with any notice or other communication to be provided to bondholders by the Board or the Registrar with respect to any consent or other action to be taken by bondholders, the Board, the City or the Registrar, as the case may be, shall establish a record date for such

consent or other action and give the Depository Trust Company notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

So long as the Bonds are registered in the name of the Depository Trust Company or CEDE & CO. or any substitute nominee, the Board, the City and the Registrar and Paying Agent shall be entitled to request and to rely upon a certificate or other written representation from the Beneficial Owners of the Bonds or from the Depository Trust Company on behalf of such Beneficial Owners stating the amount of their respective beneficial ownership interests in the Bonds and setting forth the consent, advice, direction, demand or vote of the Beneficial Owners as of a record date selected by the Registrar and the Depository Trust Company, to the same extent as if such consent, advice, direction, demand or vote were made by the bondholders for purposes of this resolution and the Board, the City and the Registrar and Paying Agent shall for such purposes treat the Beneficial Owners as the bondholders. Along with any such certificate or representation, the Registrar may request the Depository Trust Company to deliver, or cause to be delivered, to the Registrar a list of all Beneficial Owners of the bonds, together with the dollar amount of each Beneficial Owner's interest in the Bonds and the current addresses of such Beneficial Owners.

Section 3. Redemption of BANs and Bonds. (a) Effective 180 days after their date of issuance, the BANs are prepayable by the District, in whole or in part, on any date, upon 20 days' notice to the owner of the BANs, without any premium.

(b) The Bonds are redeemable at the option of the District, but no sooner than ten years after their date of delivery, or any date thereafter, on sixty (60) days' notice if sold to the Authority as part of its SRF Program, or on thirty (30) days' notice if sold to any other purchaser, in whole or in part, in inverse order of maturity, if sold to the Authority as part of its SRF

Program, or in the order of maturity as determined by the District if sold to any other purchaser, and by lot within a maturity, at face value together with a premium no greater than 2%, plus accrued interest to the date fixed for redemption. The exact redemption dates and premiums shall be established by the Clerk-Treasurer, with the advice of the District's financial advisor, prior to the sale of the Bonds.

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

(d) Each authorized denomination amount shall be considered a separate bond for purposes of optional and mandatory redemption. If less than an entire maturity is called for redemption, the Bonds to be called for redemption shall be selected by lot by the Registrar. If some Bonds are to be redeemed by optional redemption and mandatory sinking fund redemption

on the same date, the Registrar shall select by lot the Bonds for optional redemption before selecting the Bonds by lot for the mandatory sinking fund redemption.

(e) Notice of redemption shall be given not less than sixty (60) days for Bonds sold to the Authority as part of its SRF Program and not less than thirty (30) days for Bonds sold to any other purchaser prior to the date fixed for redemption unless such redemption notice is waived by the owner of the Bond or Bonds redeemed. Such notice shall be mailed to the address of the registered owner as shown on the registration record of the City as of the date which is sixty-five (65) days for Bonds sold to the Authority as part of its SRF Program and forty-five (45) days for Bonds sold to any other purchaser prior to such redemption date. The notice shall specify the date and place of redemption and sufficient identification of the Bonds called for redemption. The place of redemption may be determined by the City. Interest on the Bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the place of redemption to pay the redemption price on the date so named.

Section 4. Execution of Bonds and BANs; Pledge of Net Revenues to Bonds. The BANs and Bonds shall be signed in the name of the City by the manual or facsimile signature of the Mayor, and attested by the manual or facsimile signature of its Clerk-Treasurer, who shall affix the seal of the City to each of the BANs and Bonds manually or shall have the seal imprinted or impressed thereon by facsimile. These officials, by the signing of a Signature and No Litigation Certificate, shall adopt as and for their own proper signatures their facsimile signatures appearing on the Bonds. The Bonds must be authenticated by an authorized officer of the Registrar.

The Bonds, and any bonds ranking on a parity therewith, as to both principal and interest, shall be payable from and secured by an irrevocable pledge of and shall constitute a first charge

upon the Net Revenues of the sewage works of the District. The District shall not be obligated to pay the Bonds or the interest thereon except from the Net Revenues of said works, and the Bonds shall not constitute an indebtedness or general obligation of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana.

Section 5. Form of Bonds. The form and tenor of the Bonds shall be substantially as follows, all blanks to be filled in properly and all necessary additions and deletions to be made prior to delivery thereof:

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City of Hobart, Indiana, or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

NO. _____

UNITED STATES OF AMERICA

STATE OF INDIANA

COUNTY OF LAKE

CITY OF HOBART

SANITARY DISTRICT REVENUE BOND OF _____

Interest	[Maturity	Original	Authentication	
<u>Rate</u>	<u>Date]</u>	<u>Date</u>	<u>Date</u>	[CUSIP]

REGISTERED OWNER:

PRINCIPAL SUM:

The City of Hobart ("City"), in Lake County, State of Indiana, for and on behalf of the Sanitary District of the City ("District), for value received, hereby promises to pay to the Registered Owner (named above) or registered assigns, from the source and in the manner herein provided, the Principal Sum set forth above[, or so much thereof as may be advanced from time to time and be outstanding as evidenced by the records of the registered owner making payment for this Bond, or its assigns,] on [the Maturity Date set forth above] **OR** [on January 1 and July 1

on the dates and in the amounts as set forth on Exhibit A attached hereto] (unless this Bond be subject to and shall have been duly called for redemption and payment as provided for herein), and to pay interest hereon until the Principal Sum shall be fully paid at the rate per annum specified above from [the dates of payment made on this Bond] **OR** [the interest payment date to which interest has been paid next preceding the Authentication Date of this Bond unless this Bond is authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment in which case it shall bear interest from such interest payment date, or unless this Bond is authenticated on or before _____ 15, 20__, in which case it shall bear interest from the Original Date,] which interest is payable semiannually on the first days of January and July of each year, beginning on _____ 1, _____. Interest shall be calculated according to a 360-day calendar year containing twelve 30-day months.

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

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

This Bond is [the only] one of an authorized issue of Bonds of the District, acting in the name of the City, [[to be] [issued in series] [of like date, tenor and effect, except as to numbering, interest rate, and dates of maturity,] in the total amount of _____ Dollars (\$ _____) ("Bonds") for this series, numbered from 1 up, issued for the purpose of providing funds to be applied on the cost of additions and improvements to the District's sewage works[, to refund interim notes issued in anticipation of the Bonds,] and to pay incidental expenses, all as more particularly described in a Declaratory Resolution adopted on _____, 2012, as confirmed by a resolution adopted on _____, 2012, which bonds are authorized by Resolution No. _____ adopted by the Board of Sanitary Commissioners of the District on the ____ day of _____, 2012 ("Resolution"), and in strict compliance with the provisions of IC 36-9-25, as in effect on the issue date of the Bonds ("Act").

[Reference is hereby made to the Financial Assistance Agreement ("Financial Assistance Agreement") between the District and the Authority concerning certain terms and covenants pertaining to the sewage works project and the purchase of this Bond as part of the wastewater loan program established and existing pursuant to IC 4-4-11 and IC 13-18-13.]

Pursuant to the provisions of the Act and the Resolution, the principal and interest of this Bond and all other Bonds of said issue[, including the Sanitary District Bonds of _____ ("Series ___ Bonds")] and any bonds hereafter issued on a parity therewith, are payable from the Sewage Works Sinking Fund (created by the Resolution) to be provided from the Net Revenues (defined as the gross revenues after the deduction only for 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 District[, on a parity with the Series ___ Bonds].

The District irrevocably pledges the entire Net Revenues of said sewage works to the prompt payment of the principal of and interest on the Bonds authorized by the Resolution, of which this is one, and any bonds ranking on a parity therewith, [including the Series ___ Bonds], to the extent necessary for that purpose, and covenants that it will cause to be fixed, maintained and collected such rates and charges for service rendered by said works as are sufficient in each year for the payment of the proper and reasonable expenses of [Operation and Maintenance (as defined in the Financial Assistance Agreement)] **OR** [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 Resolution. If the District or the proper officers of the District 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 Sewage Works Sinking Fund a sufficient amount of the Net Revenues of said works to meet (a) the interest on all bonds which by their terms are payable from the revenues of the sewage works, as such interest shall fall due, (b) the necessary fiscal agency charges for paying the bonds and interest, (c) the principal of all bonds which by their terms are payable from the revenues of the sewage works, as such principal shall fall due, and (d) an additional amount to [create and] maintain the reserve required by the Resolution. Such required payments shall constitute a first charge upon all the Net Revenues of said works[, on a parity with the Series ___ Bonds].

The Bonds of this issue maturing on _____ 1, 20____, and thereafter, are redeemable at the option of the District on _____ 1, 20____, or any date thereafter, on [sixty (60)] [thirty (30)] days' notice, in whole or in part, in [inverse] [the] order of maturity [as determined by the District] and by lot within a maturity, at face value together with the following premiums:

___% if redeemed on _____ 1, _____ or thereafter
on or before _____, _____;
___% if redeemed on _____ 1, _____ or thereafter
on or before _____, _____;

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

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

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

<u>Term Bond</u>		<u>Term Bond</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
	*		*

*Final Maturity]

Each [One Dollar (\$1)][Five Thousand Dollar (\$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 called shall be selected by lot by the Registrar. [If some Bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the Bonds for optional redemption before selecting the Bonds by lot for the mandatory sinking fund redemption.]

Notice of redemption shall be mailed to the address of the registered owner as shown on the registration record of the District, as of the date which is [sixty-five (65)][forty-five (45)] days prior to such redemption date, not less than [sixty (60)][thirty (30)] days prior to the date fixed for redemption. The notice shall specify the date and place of redemption and sufficient identification of the Bonds called for redemption. The place of redemption may be determined by the District. 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 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 transferable or exchangeable only upon the books of the District kept for that purpose at the [principal corporate trust] office of the Registrar, by the registered owner hereof in person, or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or to the registered owner, as the case may be, in exchange therefor. The District, the Registrar and any paying agent for this Bond may treat and consider the person in whose name this Bond is registered as

the absolute owner hereof for all purposes including for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon.

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

[The District has designated the Bonds as qualified tax-exempt obligations to qualify the Bonds 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.]

This Bond is subject to defeasance prior to redemption or payment as provided in the Resolution referred to herein. THE OWNER OF THIS BOND, BY THE ACCEPTANCE HEREOF, HEREBY AGREES TO ALL THE TERMS AND PROVISIONS CONTAINED IN THE RESOLUTION. The Resolution may be amended without the consent of the owners of the Bonds as provided in the Resolution.

The Bonds maturing in any one year are issuable only in fully registered form in the denomination of [\$1] [\$5,000] or any integral multiple thereof not exceeding the aggregate principal amount of the Bonds maturing in such year.

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

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

IN WITNESS WHEREOF, the Board of Sanitary Commissioners of the City of Hobart, in Lake County, Indiana, has caused this Bond to be executed in the name of the City for and on behalf of the Hobart Sanitary District of such City, 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 HOBART, INDIANA

[SEAL]

By: _____
Mayor

Attest:

Clerk-Treasurer

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

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

_____,
As Registrar

By: _____
Authorized Representative

ASSIGNMENT

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

Dated: _____

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

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

[EXHIBIT A

To be completed on a separate page]

Section 6. Preparation and Sale of BANs and Bonds; Official Statement. (a) The Clerk-Treasurer is hereby authorized and directed to have the BANs and Bonds prepared, and the Mayor and the Clerk-Treasurer are hereby authorized and directed to execute the BANs and Bonds in the form and manner herein provided. The Clerk-Treasurer is hereby authorized and directed to deliver the BANs and Bonds to the respective purchasers thereof after sale made in accordance with the provisions of this resolution, provided that at the time of said delivery the

Clerk-Treasurer shall collect the full amount which the respective purchasers have agreed to pay therefor, which amount shall not be less than 99% of the par value of the BANs, not less than 100% of the par value of the Bonds if sold to the Authority as part of its SRF Program and not less than 99% of the par value of the Bonds if sold to any other purchaser. The District may receive payment for the Bonds and BANs in installments. Each series of Bonds herein authorized, as and to the extent paid for and delivered to the purchaser, shall be the binding special obligations of the District payable solely out of the Net Revenues of the sewage works. The proceeds derived from the sale of the Bonds shall be and are hereby set aside for application on the cost of the Project hereinbefore referred to, the refunding of the BANs, if issued and the expenses necessarily incurred in connection with the BANs and Bonds. The proper officers of the District and City are hereby directed to draw all proper and necessary warrants, and to do whatever acts and things which may be necessary to carry out the provisions of this resolution.

(b) Distribution of an Official Statement (preliminary and final) for the Bonds, prepared on behalf of the District, is hereby authorized and approved and the Mayor and Clerk-Treasurer are authorized and directed to execute the Official Statement on behalf of the District in a form consistent with this resolution. The Mayor or Clerk-Treasurer is hereby authorized to designate the preliminary Official Statement as "nearly final" for purposes of Rule 15c2-12 ("Rule") as promulgated by the Securities and Exchange Commission.

Section 7. Bond Sale Notice. If the Bonds shall be sold at the competitive sale, the Clerk-Treasurer shall cause to be published either (i) a notice of bond sale in a newspaper published in Lake County, Indiana, with a general circulation in the City, two times, at least one week apart, the first publication made at least fifteen (15) days before the date of the sale and the second publication being made at least three (3) days before the date of the sale, or (ii) a notice

of intent to sell in in a newspaper published in Lake County, Indiana, with a general circulation in the City and the *Court & Commercial Record*, all in accordance with IC 5-1-11 and IC 5-3-1. The notice shall also be posted at the City Hall. A notice or summary notice of sale may also be published in the *Court & Commercial Record* or in *The Bond Buyer* in New York, New York. The notice shall state the character and amount of the Bonds, the maximum rates of interest thereon, the terms and conditions upon which bids will be received and the sale made, and such other information as the Clerk-Treasurer, the Board and the attorneys employed by the District shall deem advisable, and any summary notice may contain any information deemed so advisable. Said notice may provide, among other things, that electronic bidding will be permitted and that the successful bidder shall be required to submit a certified or cashier's check or a wire transfer to guarantee performance on the part of the bidder no later than 3:30 p.m. (Hobart time) on the next business day following the award. In the event the successful bidder shall fail or refuse to accept delivery of the Bonds and pay for the same as soon as the Bonds are ready for delivery, or at the time fixed in the notice of sale, then the proceeds of such deposit shall become the property of the District 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 either to the Clerk-Treasurer, or at the office of the District's financial advisor on behalf of the Clerk-Treasurer. The Clerk-Treasurer, or the District's financial advisor on behalf of the Clerk-Treasurer, shall continue to receive all bids offered until the hour on the day fixed in the notice, at which time and place the Clerk-Treasurer, or the District's financial advisor on behalf of the Clerk-Treasurer, shall open and consider the bids. Bidders for the Bonds will be required to name the rate or rates of interest which the Bonds are to bear, not exceeding five percent (5%) or such lower maximum rate set

forth in the notice, and such interest rate or rates shall be in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%). The rate bid on a maturity shall be equal to or greater than the rate bid on the immediately preceding maturity. No conditional bid or bid for less than 99% of the face amount of the Bonds will be considered. The opinion of Ice Miller LLP, bond counsel of Indianapolis, Indiana, approving the legality of the Bonds, will be furnished to the purchaser at the expense of the District.

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 resolution and the notice. The best bidder will be the one who offers the lowest net interest cost to the District to be determined by computing the total interest on all of the Bonds to their maturities, adding thereto the discount bid, if any, and deducting therefrom the premium bid, if any. The right to reject any and all bids is hereby reserved. If an acceptable bid is not received on the date of sale, the sale may be continued from day to day thereafter without further advertisement for a period of thirty (30) days, during which time no bid which provides a higher net interest cost to the District than the best bid received at the time of the advertised sale will be considered.

As an alternative to public sale, the District may negotiate the sale of any series of Bonds to the Authority as part of its SRF Program. The Mayor and the Clerk-Treasurer are hereby authorized to: (i) submit an application to the Authority as part of its SRF Program; (ii) execute a Financial Assistance Agreement with the Authority with terms conforming to this resolution; and (iii) sell such Bonds upon such terms as are acceptable to the Mayor and the Clerk-Treasurer consistent with the terms of this resolution. The substantially final form of Financial Assistance Agreement attached hereto and incorporated herein by reference is hereby approved by the Board and the Mayor and Clerk-Treasurer are hereby authorized to execute and deliver the same,

and to approve any changes in form or substance to the Financial Assistance Agreement, which are consistent with the terms of this resolution, such changes to be conclusively evidenced by its execution.

Section 8. Financial Records and Accounts; Continuing Disclosure. (a) 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 said sewage works and all disbursements made therefrom and all transactions relating to said sewage works. Copies of all such statements and reports shall be kept on file in the office of the District.

(b) If the Bonds are subject to the Rule, a continuing disclosure undertaking ("Undertaking") for the Bonds is hereby authorized and approved by the Board, and the Mayor and Clerk-Treasurer are hereby authorized and directed to complete, execute and attest the same on behalf of the District. Notwithstanding any other provisions of this resolution, failure of the District to comply with the Undertaking shall not be considered an event of default under the Bonds or this resolution.

Section 9. Pledge of Net Revenues. The interest on and the principal of the Bonds issued pursuant to the provisions of this resolution, and any bonds hereafter issued on a parity therewith, shall constitute a first charge on all the Net Revenues, 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 10. Use of Proceeds. The accrued interest received at the time of the delivery of the Bonds and premium, if any, shall be deposited in the Sewage Works Sinking Fund ("Sinking Fund"). The remaining proceeds from the sale of the Bonds, to the extent not used to

refund the BANs, if issued, 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 "Hobart Sanitary District, Sewage Works Construction Account" ("Construction Account"). All funds deposited to the credit of said Sinking Fund or Construction Account shall be deposited, held, secured or invested in accordance with the laws of the State of Indiana relating to the depositing, holding, securing or investing of public funds, including particularly IC 5-13, and the acts amendatory thereof and supplemental thereto and as applicable, pursuant to IC 4-4-11 and IC 13-18-13. The funds in the Construction Account shall be expended only for the purpose of paying the cost of the Project, refunding the BANs, if issued, or as otherwise required by the Act or for the expenses of issuance of the Bonds or BANs. The cost of obtaining the services of Ice Miller LLP, H.J. Umbaugh & Associates, Certified Public Accountants, LLP, and Smith & DeBonis, LLC, shall be considered as a part of the cost of the Project on account of which the BANs and Bonds are issued.

Any balance or balances remaining unexpended in such special account or accounts after completion of the Project, which are not required to meet unpaid obligations incurred in connection with such Project, shall either (1) be paid into the Sinking Fund and used solely for the purposes of said Sinking Fund or (2) be used for the same purpose or type of project for which the Bonds were originally issued, all in accordance with IC 5-1-13, as amended and supplemented.

With respect to any Bonds sold to the Authority as part of its SRF Program, to the extent that (a) the total principal amount of the Bonds is not paid by the purchaser or drawn down by the District or (b) proceeds remain in the Construction Account and are not applied to the Project (or any modifications or additions thereto approved by the Department and the Authority), the

District shall reduce the principal amount of the Bond maturities to effect such reduction in a manner that will still achieve the annual debt service as described in Section 2 subject to and upon the terms set forth in the Financial Assistance Agreement.

Section 11. Revenue Fund. There is hereby created a fund known as the Sewage Works Revenue Fund ("Revenue Fund") into which there shall be deposited upon receipt, all income and revenues of the sewage works. This fund shall be maintained separate and apart from all other accounts of the City. All moneys deposited in the Revenue Fund may be invested in accordance with IC 5-13, as amended and supplemented and as applicable, pursuant to IC 4-4-11 and IC 13-18-13.

Section 12. Operation and Maintenance Fund. An Operation and Maintenance Fund ("O&M Fund") is hereby created. On the last day of each calendar month, a sufficient amount of moneys shall be transferred from the Revenue Fund to the O&M Fund so that 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 sewage works on a day-to-day basis, but none of the moneys in this Fund shall be used for depreciation, replacements, improvements, extensions, additions or PILOTs. Any monies in said 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 District which are payable from the Net Revenues of the sewage works.

Section 13. Sewage Works Sinking Fund. (a) 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 sewage works, and the payment of any fiscal agency

charges in connection with the payment of bonds and interest, which fund shall be designated the Sewage Works Sinking Fund ("Sinking Fund"). There shall be set aside and deposited in the Sinking Fund, as available, and as provided below, a sufficient amount of the Net Revenues of the sewage works to meet the requirements of the Bond and Interest Account and of the Debt Service Reserve Account hereby created in the Sinking Fund. 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 District which are payable from the Net Revenues of the sewage works to their final maturity.

(b) Bond and Interest Account. There is hereby created within the Sinking Fund the Bond and Interest Account. There shall be transferred, on the last day of each month, from the Revenue Fund and credited to the Bond and Interest Account an amount of the Net Revenues of said sewage works equal to at least one-sixth (1/6) of the interest on and the principal of all then outstanding bonds payable from the Net Revenues on the then next succeeding principal and interest payment date until the amount of interest and principal payable on the then next succeeding interest and principal payment date shall have been so credited. There shall similarly be credited to the account any amount necessary to pay the bank fiscal agency charges for paying interest on outstanding bonds as the same become payable. The 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 interest and principal on the due dates thereof together with the amount of bank fiscal agency charges.

(c) Debt Service Reserve Account. There is hereby created, within the Sinking Fund, the Debt Service Reserve Account ("Reserve Account"). On the date of delivery of the Bonds, funds on hand of the District, bond proceeds or a combination thereof may be deposited into the

Reserve Account. The initial deposit or the balance accumulated in the Reserve Account shall equal but not exceed the least of: (i) the maximum annual debt service on the Bonds and any bonds issued in the future by the District which are payable from Net Revenues of the sewage works and which rank on a parity with the Bonds ("Parity Bonds"); (ii) 125% of average annual debt service on the Bonds and any Parity Bonds; or (iii) 10% of the proceeds of the Bonds and any Parity Bonds ("Reserve Requirement"); provided, however, that if any Bonds are sold to the Authority as part of its SRF Program, the Reserve Requirement shall equal the maximum annual debt service on the Bonds and any Parity Bonds. If the initial deposit into the Reserve Account does not equal the Reserve Requirement or if no deposit is made, beginning with the first month after the Bonds are delivered, an amount of Net Revenues shall be credited to the Reserve Account on the last day of each calendar month until the balance therein equals the Reserve Requirement. The monthly deposits shall be equal in amount and sufficient to accumulate the Reserve Requirement within five (5) years of the date of delivery of the Bonds.

The Reserve Account shall constitute the margin for safety and as protection against default in the payment of principal of and interest on the Bonds and any Parity Bonds, and moneys in the Reserve Account shall be used to pay current principal and interest on the Bonds and any Parity Bonds to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiency in the balance maintained in the Reserve Account shall be 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 transferred to the Sewage Works Improvement Fund or be used for the purchase of outstanding bonds or installments of principal of fully registered bonds.

(d) The Sinking Fund (containing the Bond and Interest Account and the Reserve Account) and the Construction Account, may be held by a financial institution acceptable to the Authority as part of its SRF Program, pursuant to terms acceptable to the Authority. If the Sinking Fund and the accounts therein are held in trust, the District shall transfer the monthly required amounts of Net Revenues to the Bond and Interest Account and the Reserve Account in accordance with this section, and the financial institution holding such funds in trust shall be instructed to pay the required payments in accordance with the payment schedules for the District's outstanding bonds. If the Construction Account is so held in trust, the District shall deposit the proceeds of the Bonds therein until such proceeds are applied consistent with this resolution and the Financial Assistance Agreement. The financial institution selected to serve in this role may also serve as the Registrar and the Paying Agent for any then outstanding bonds of the District and the Bonds. The Mayor and the Clerk-Treasurer are hereby authorized to execute and deliver an agreement with a financial institution to reflect this trust arrangement for the Sinking Fund and the Construction Account in the form of trust agreement as approved by the Mayor and the Clerk-Treasurer, consistent with the terms and provisions of this resolution.

Section 14. Sewage Works Improvement Fund. There is hereby created a special fund designated the "Sewage Works Improvement Fund" ("Improvement Fund"). In the event all required payments into the O&M Fund and the Sinking Fund have been met to date, any excess Net Revenues may be transferred to the Improvement Fund for extensions, replacements, improvements and additions to the works. The District reserves the right to transfer PILOTs from the Improvement Fund no more frequently than semiannually in accordance with the Act, and only if all required transfers have been made to the Sinking Fund and the accounts of the Sinking Fund contain the required balances as of the date the PILOTs are paid. In no event shall

any PILOTs be treated as an expense of operation and maintenance, nor in any case shall it be payable from the O&M Fund or the Sinking Fund.

All or any portion of the funds accumulated and reserved in the Improvement Fund shall be transferred to the Sinking Fund, if necessary, to prevent a default in the payment of principal of or interest on the bonds payable from the Sinking Fund or to eliminate any deficiencies in credits to or minimum balance in the Reserve Account. Moneys in the Improvement Fund also may be transferred to the O&M Fund to meet unforeseen contingencies in the operation, repair and maintenance of the sewage works.

Section 15. Investment of Funds. The Board is hereby authorized to invest moneys pursuant to IC 5-1-14-3 and the provisions of this resolution (subject to applicable requirements of federal law to insure such yield is the then current market rate) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the Bonds and BANs under federal law. The Board 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 the resolution, the Board is hereby authorized and directed to employ consultants or attorneys from time to time to advise the District as to requirements of federal law to preserve the tax exclusion. The Board may pay any fees as operation expenses of the sewage works.

Section 16. Maintenance of Accounts. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the District. 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 District 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 IC 5-13, as amended or supplemented and as applicable, pursuant to IC 4-4-11 and IC 13-18-13, 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 resolution.

Section 17. Maintenance of Books and Records. For any Bonds sold to the Authority as part of its SRF Program, the District shall establish and maintain the books and other financial records of the Project (including the establishment of a separate account or subaccount for the Project) and the sewage works in accordance with (i) generally accepted governmental accounting standards for utilities, on an accrual basis, as promulgated by the Government Accounting Standards Board and (ii) the rules, regulations and guidance of the State Board of Accounts.

Section 18. Rate Covenant. The District covenants and agrees that it will establish and maintain just and equitable rates and charges for the use of and the service rendered by the sewage works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the sewage works, or that in any way uses or is served by the sewage works, at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the District) to provide for the proper and reasonable expenses of (a) Operation and Maintenance, as defined in the Financial Assistance Agreement, if the Bonds are sold to the Authority as part of its SRF Program, or (b) operation, repair and maintenance of the sewage works if no Bonds are sold to the Authority as part of its SRF Program, to comply with and satisfy all covenants contained in this resolution and the Financial Assistance Agreement and to pay all obligations of the sewage works and of the

District with respect to the sewage works, including the sums required to be paid into the Sinking Fund by the Act and this resolution. 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 and Maintenance or operation, repair and maintenance of the sewage works, as the case may be, and the requirements of the Sinking Fund. The rates and charges so established shall apply to any and all use of such works by and service rendered to the District, and shall be paid by the District as the charges accrue.

Section 19. Defeasance of Bonds. If, when any of the Bonds issued hereunder shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or any portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds or any portion thereof and coupons then outstanding shall be paid; or (i) sufficient moneys, or (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, the principal of and the interest on which when due will provide sufficient moneys, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Bonds issued hereunder or any designated portion thereof shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the District's sewage works.

Section 20. Additional Bond Provisions. The District reserves the right to authorize and issue additional BANs at any time ranking on a parity with the BANs. The District reserves the right to authorize and issue additional Parity Bonds, payable out of the Net Revenues of its sewage works, ranking on a parity with the Bonds, for the purpose of financing the cost of future

additions, extensions, replacements and improvements to the 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 resolution, and the interest on and principal of all bonds payable from the Net Revenues of the sewage works shall have been paid in accordance with their terms. The Reserve Requirement shall be satisfied for the additional Parity Bonds either at the time of delivery of the additional Parity Bonds or over a five year or shorter period, in a manner which is commensurate with the requirements established in Section 13(c) of this resolution.

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

For purposes of this subsection all showings shall be prepared by a certified public accountant employed by the District for that purpose.

(c) The interest on the additional Parity Bonds shall be payable semiannually on the first days of January and July and the principal on, or mandatory sinking fund redemption dates for, the additional Parity Bonds shall be payable semiannually on January 1 and July 1.

(d) If the Bonds are sold to the Authority as part of its SRF Program, (i) the District obtains the consent of the Authority, (ii) the District has faithfully performed and is in compliance with each of its obligations, agreements and covenants contained in the Financial Assistance Agreement and this resolution, and (iii) the District is in compliance with its National Pollutant Discharge Elimination System permits, except for non-compliance for which purpose the Parity Bonds are issued, including refunding bonds issued prior to, but part of the overall plan to eliminate such non-compliance.

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

(a) All contracts let by the 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 employer's liability and public liability insurance as are required under the laws of the State of Indiana in the case of public contracts, and shall be governed in all respects by the laws of the State of Indiana relating to public contracts.

(b) The Project shall be constructed under 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.

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

(d) So long as any of the Bonds and BANs are outstanding, the District shall maintain insurance on the insurable parts of the system, of a kind and in an amount such as is usually carried by private corporations engaged in a similar type of business. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana. If any Bonds or BANs are sold to the Authority as part of its SRF Program, such insurance shall be acceptable to the Authority. If the Bonds and BANs are not sold to the Authority as part of its SRF Program, then as an alternative to maintaining such insurance, the District 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. Insurance proceeds and condemnation awards shall be used to replace or repair the sewage works, unless the Authority consents to a different use if any Bonds or BANs are sold to the Authority as part of its SRF Program.

(e) So long as any of the BANs or Bonds are outstanding, the District shall not mortgage, pledge or otherwise encumber such works, or any part thereof, and shall not sell, lease or otherwise dispose of any part of the same, excepting only such machinery, equipment or other property as may become worn out or obsolete, or shall no longer be necessary for use in connection with said utility; provided, however, the District shall obtain the prior written consent of the Authority if the BANs or Bonds are sold to the Authority as part of its SRF Program.

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

(g) Except as hereinbefore provided in Section 20 hereof, so long as any of the Bonds herein authorized are outstanding, no additional Bonds or other obligations pledging any portion of the revenues of said sewage works shall be authorized, executed, or issued by the 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 are redeemed, retired or defeased pursuant to Section 19 hereof coincidentally with the delivery of such additional bonds or other obligations.

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

(i) The provisions of this resolution shall constitute a contract by and between the District and the owners of the Bonds and BANs herein authorized, and after the issuance of said Bonds or BANs, this resolution shall not be repealed or amended in any respect which will adversely affect the rights of the owners of the Bonds or BANs nor shall the Board adopt any law, ordinance or resolution which in any way adversely affects the rights of such owners so long as any of the Bonds, BANs or the interest thereon remain unpaid. Except for the changes

set forth in Section 23(a)-(g), this resolution may be amended, however, without the consent of BAN or Bond owners, if the Board determines, in its sole discretion, that such amendment would not adversely affect the owners of the BANs or Bonds; provided, however, that if the Bonds or BANs are sold to the Authority as part of its SRF Program, the District shall obtain the prior written consent of the Authority.

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

Section 22. Tax Covenants. In order to preserve the exclusion of interest on the Bonds and BANs from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as existing on the date of issuance of the Bonds or BANs, as the case

may be ("Code") and as an inducement to purchasers of the Bonds and BANs, the District represents, covenants and agrees that:

(a) The sewage works will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. No person or entity other than the 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 Bonds or BANs, as the case may be. If the District enters into a management contract for the sewage works, the terms of the contract will comply with IRS Revenue Procedure 97-13, as it may be amended, supplemented or superseded for time to time, so that the contract will not give rise to private business use under the Code and the Regulations, unless such use in aggregate relates to no more than 10% of the proceeds of the Bonds or BANs, as the case may be.

(b) No more than 10% of the principal of or interest on the Bonds or BANs is (under the terms of the Bonds or BANs, this resolution 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 be not an event of default under this resolution 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 or BANs, as the case may be.

(i) The District represents that:

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

(2) The District hereby designates the Bonds 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 City and all entities subordinate to the City during 2012 does not exceed \$10,000,000; and

(4) The City has not designated and will not designate more than \$10,000,000 of qualified tax-exempt obligations during 2012.

Therefore, the Bonds 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.

(j) The District represents that it will rebate any arbitrage profits to the United States of America in accordance with and to the extent required by the Code.

Section 23. Amendments with Consent of Bondholders. Subject to the terms and provisions contained in this Section and Section 21(i), and not otherwise, the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds issued pursuant to this resolution and then outstanding shall have the right, from time to time, anything contained in this resolution to the contrary notwithstanding, to consent to and approve the adoption by the District of such resolution or resolutions 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 resolution, or in any supplemental resolution; provided, however, that if the Bonds or BANs are sold to the Authority as part of its SRF Program, the District shall obtain the prior written consent of the Authority; and provided, further, that nothing herein contained shall permit or be construed as permitting:

- (a) An extension of the maturity of the principal of or interest on any Bond issued pursuant to this resolution; or
- (b) A reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon; or
- (c) The creation of a lien upon or a pledge of the revenues of the sewage works ranking prior to the pledge thereof created by this resolution; or
- (d) A preference or priority of any Bond or Bonds issued pursuant to this resolution over any other Bond or Bonds issued pursuant to the provisions of this resolution; or
- (e) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental resolution; or
- (f) A reduction in the Reserve Requirement; or

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

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

Section 24. Issuance of BANs. (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 of the BAN or BANs. If the BANs are sold to the Authority as part of its SRF Program, the Financial Assistance Agreement shall serve as the Purchase Agreement. The Board hereby authorizes the issuance and execution of the BAN or BANs in lieu of initially issuing the Bonds to provide interim financing for the Project until permanent financing becomes available. It shall not be necessary for the 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 Mayor and the Clerk-Treasurer are hereby authorized and directed to execute a Purchase Agreement or Financial Assistance Agreement (and any amendments made from time to time) in such form or substance as they shall approve acting upon the advice of counsel. The Mayor, the Clerk-Treasurer and officers of the District 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 25. Resolution to be Filed with Clerk-Treasurer. The Secretary to the Board of Sanitary Commissioners is hereby directed to file a certified copy of this resolution with the Clerk-Treasurer for preparation of the Bonds.

Section 26. Tax Exemption. Notwithstanding any other provisions of this resolution, the covenants and authorizations contained in this resolution ("Tax Sections") which are designed to preserve the exclusion of interest on the BANs and Bonds from gross income under federal law ("Tax Exemption") need not be complied with if the District receives an opinion of

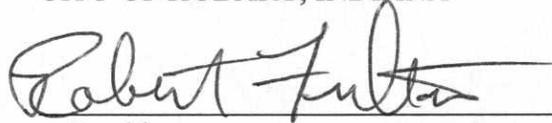
nationally recognized bond counsel that any Tax Section is unnecessary to preserve the Tax Exemption.

Section 27. Conflicting Resolutions. All resolutions and parts of resolutions in conflict herewith are hereby repealed.

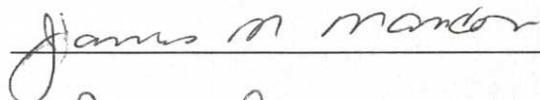
Section 28. Effective Date. This resolution shall be in full force and effect from and after its passage.

Adopted this 10 day of October, 2012.

BOARD OF SANITARY COMMISSIONERS
SANITARY DISTRICT OF THE
CITY OF HOBART, INDIANA

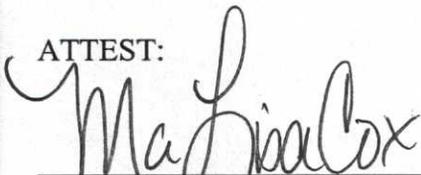


President





ATTEST:



Recording Secretary