

ST. TAMMANY PARISH COUNCIL

ORDINANCE

ORDINANCE CALENDAR NO.: 4193 ORDINANCE COUNCIL SERIES NO. \_\_\_\_\_

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INTRODUCED BY: \_\_\_\_\_ SECONDED BY: \_\_\_\_\_

ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 2009

AN AMENDED AND RESTATED GENERAL BOND ORDINANCE AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF UTILITIES REVENUE BONDS OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA; PRESCRIBING THE FORM AND CERTAIN TERMS AND CONDITIONS OF SAID BONDS; PROVIDING FOR THE PAYMENT THEREOF IN PRINCIPAL AND INTEREST; AND PROVIDING FOR OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, the Parish of St. Tammany, State of Louisiana (the "Issuer"), now owns and operates sewage collection, treatment and disposal systems and waterworks treatment and distribution systems as revenue producing public utilities (collectively, the "System"); and

WHEREAS, the Issuer currently has no outstanding notes, bonds or other obligations payable from a pledge and dedication of the income and revenues of the System; and

WHEREAS, this Parish Council adopted a General Bond Ordinance (Ordinance C.S. No. 09-2096) on July 2, 2009; and

WHEREAS, pursuant to Chapter 4, Subtitle II, Title 30, (specifically, R.S. 30:2079) Part VII, Chapter 4, Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:821, *et seq.*), Part XIII, Chapter 4, Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:1011, *et seq.*) and/or Chapter 14-A, Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:1444, *et seq.*), and other constitutional and statutory authority, it is now the desire of this Parish Council, acting as the governing authority of the Issuer, to adopt this amended and restated General Bond Ordinance in order to provide for the issuance from time to time, and in one or more series, of revenue bonds of the Issuer (the "Bonds"), for the purpose of constructing and acquiring additions, extensions, improvements and/or replacements to the System, including appurtenant equipment, facilities and properties, both personal and real, for refunding bonds and/or for providing for a reserve and paying the costs of issuance thereof; now therefore

THE PARISH OF ST. TAMMANY HEREBY ORDAINS that:

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## ARTICLE I

## DEFINITIONS AND INTERPRETATION

SECTION 1.01 Definitions. The following terms used in this Ordinance shall have the following meanings, unless the context clearly requires otherwise:

**"Act"** means (i) Chapter 4, Subtitle II, Title 30 (specifically, R.S. 30:2071) (ii) Part VII, Chapter 4, Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:821, *et seq.*), (iii) Part XIII, Chapter 4, Title 39 and/or (iv) Chapter 14-A, Title 39 of Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:1011, *et seq.*), as the case may be, as the same may be supplemented by Chapter 13 of Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:1421, *et seq.*), and Section 1430 of Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:1430), and other constitutional and statutory authority supplemental thereto.

**"Administrative Fee"** means, with respect to any Bonds purchased by the Department from the State Loan Fund, the annual fee equal to one-half of one percent (0.5%) per annum of the outstanding principal amount of such bonds, or such lesser amount as the Department may approve from time to time, which shall be payable each year in two equal semi-annual installments on each Interest Payment Date.

**"ARRA"** means Section 1531 of Title 1 of Division B of the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat 115 (2009) executed February 17, 2009).

**"ARRA Funds"** means additional federal capitalization grant funds received by the Municipal Facilities Loan Fund pursuant to the Title VII, Division A of ARRA entitled "State and Tribal Assistance Grants".

**"Bonds"** means any bonds authorized by this General Bond Ordinance and by a Series Ordinance.

**"Bond Register"** means the records kept by the Paying Agent in which registration of the Bonds and transfers of the Bonds shall be made as provided herein.

**"Bond Year"** means the one-year period ending on each Principal Payment Date.

**"Capital Appreciation Bonds"** shall mean Bonds which pay interest only at maturity or redemption.

**"Code"** means the Internal Revenue Code of 1986, as the same may be amended and supplemented from time to time, including any regulations promulgated thereunder or any administrative or judicial interpretations thereof.

**"Costs of the Project"** means, with reference to any Project, all capital costs incurred or to be incurred for such Project, including but not limited to (a) engineering, financing, legal and other fees and expenses related to the issuance of such series of the Bonds, (b) acquisition and construction costs of the Project, (c) interest on the Bonds during construction, and (d) a reasonable allowance for contingencies, all to the extent permitted by the Act and any rules or regulations promulgated thereunder.

**"Credit Enhancement"** shall mean any letter of credit, insurance policy, surety bond, standby bond purchase agreement or similar facility as used in connection with a series of the Bonds.

**"Defeasance Obligations"** means cash and/or Government Securities.

**"Delivery Date"** means the date on which any series of the Bonds are delivered to the purchaser thereof.

**"Department"** means the Louisiana Department of Environmental Quality or the Louisiana Department of Health and Hospitals, each being an executive department and agency of the State, as appropriate, and any successor to the duties and functions of either.

**"Executive Officers"** means, collectively, the Parish President and the Finance Director of the Issuer and the Clerk of Council of the Governing Authority.

**"Fiscal Year"** means the Issuer's one-year accounting period beginning on January 1 of each year or any other annual accounting period as may be determined by the Governing Authority as the fiscal year of the Issuer.

**"Fixed Rate Bonds"** means any series of Bonds issued with a fixed rate or rates or interest for the entire term thereof.

**"General Bond Ordinance"** means this General Bond Ordinance.

**"Governing Authority"** means the St. Tammany Parish Council or its successor in function.

**"Government Securities"** means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, which are non-callable prior to their maturity, may be United States Treasury Obligations such as the State and Local Government Series and may be in book-entry form.

**"Interest Payment Date"** means each February 1 and August 1 on which interest on any series of the Bonds is payable.

**"Issuer"** has the meaning set forth in the preambles hereto.

**"Loan Agreement"** means the Loan and Pledge Agreement to be entered into by and between the Department and the Issuer, prior to the delivery of any series of Bonds that are purchased by the Department, which will contain certain additional agreements relating to such Bonds and any other series of Bonds purchased by the Department from the State Loan Fund, and with respect to the Project as it may be supplemented, modified or amended from time to time in accordance with the terms thereof.

**"Net Revenues"** means for the period in question the net income of the Issuer, determined in accordance with then generally accepted accounting principles, including all revenue derived from user fees or service fees and other income received from the operation of the System, including applicable environmental impact fees, except that there shall be excluded from the calculation of Net Revenues the following::

- (a) Gains on the sale or other disposition of investments or fixed or capital assets, which do not result from the ordinary course of business;
- (b) Investment income that is restricted to a purpose inconsistent with the payment of operating expenses or debt service, including (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of borrowing by the Issuer;
- (c) Any amounts received by way of government grants; and
- (d) Any capital outlay moneys received from the State;

Furthermore, there shall be added back to net income for purposes of calculating Net Revenues hereunder the following:

- (e) Losses on the sale or other disposition of investments or capital assets which do not result from the ordinary course of business;
- (f) Depreciation and amortization allowances;
- (g) Amounts paid as interest on the Bonds; and
- (h) Interest earnings on any of the funds described in Section 5.01.

**"Non-ARRA Funds"** means federal capitalization grant funds received by the Municipal Facilities Revolving Fund pursuant to authority other than ARRA, or other available funds in the Municipal Facilities Revolving Loan Fund that are derived from sources other than ARRA Funds.

**"Ordinance"** means this General Bond Ordinance authorizing the issuance of the Bonds, as hereafter amended or supplemented by Series Ordinances or in accordance with Article IX hereof.

**"Outstanding"** when used with respect to the Bonds, as of the date of determination, means all Bonds theretofore issued and delivered under the Ordinance except:

- (a) Bonds that have been cancelled or delivered to the Paying Agent for cancellation;
- (b) Bonds that have been defeased in accordance Section 11.01 hereof;
- (c) Bonds in exchange for or *in lieu* of which other Bonds have been registered and delivered pursuant to the Ordinance; or
- (d) Bonds alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in the Ordinance or by law.

**"Owner" or "Owners"** when used with respect to any Bond, means the Person in whose name such Bond is registered in the Bond Register.

**"Paying Agent"** means the person or organization designated as such in a Series Ordinance.

**"Parity Obligations"** means any additional *pari passu* indebtedness issued by the Issuer and payable from the Net Revenues in accordance with Section 6.01 hereof.

**"Person"** means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

**"Principal Payment Date"** means each annual principal payment date on the Bonds, which shall occur on August 1 of each year in which principal comes due.

**"Project"** means the extensions and improvements to the System being financed by the sale of a series of the Bonds.

**"Refunding Act"** means Chapter 14-A, Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:1444, *et seq.*), and other constitutional and statutory authority supplemental thereto.

**"Reserve Fund Requirement"** with respect to any issue of the Bonds means a sum set forth in the applicable Series Ordinance.

**"Revenues"** means all income and revenues to be derived by the Issuer from the operation of the System, including earnings on investments in the funds and accounts described in Section 5.01 hereof and moneys in the Environmental Service Fund, but not including any insurance or condemnation proceeds, or proceeds from the sale or other disposition of any part of the System.

**"Series Ordinance"** means an Ordinance adopted by the Governing Authority in accordance with Section 2.04 authorizing the issuance and sale of any additional series of the Bonds.

**"State"** means the State of Louisiana.

**"State Loan Fund"** means the Municipal Facilities Revolving Loan Fund established by the State of Louisiana, pursuant to Subchapter II, Chapter 4 of Title 30 of the Louisiana Revised Statutes of 1950, as amended, specifically La. R.S. 30:2078, *et seq.*) in the custody of the Department, which is to be used for the purpose of providing financial assistance for the improvement of sewerage systems in the State.

**"System"** means the Issuer's combined revenue-producing sewage collection, treatment and disposal systems and waterworks treatment and distribution systems, as said systems now exist, and as they may be hereafter improved, extended or supplemented from any source whatsoever while the Bonds remains outstanding, including specifically all properties of every nature owned, leased or operated by the Issuer and used or useful in the operation of the systems, and including real estate, personal and intangible

properties, contracts, franchises, leases and chooses in action, whether lying within or without the boundaries of the Issuer.

**"User Fees"** means charges or fees levied on users of the System for the cost of operation, maintenance and replacement of the System, for the repayment of debt incurred with respect to the System and for such other purposes as may be determined by the Governing Authority from time to time.

**"Variable Rate Bonds"** means any series of Bonds issued with a variable, adjustable, convertible or other similar rate or rates which are not fixed for the entire term thereof.

**SECTION 1.02 Rules of Interpretation.** Unless the context clearly indicates to the contrary, the following rules shall apply to the interpretation and construction of this Ordinance:

- (a) words importing the singular number shall include the plural number and vice versa;
- (b) all references to particular articles or sections herein are references to articles or sections of this Ordinance;
- (c) the captions and headings herein are solely for convenience of reference and shall not constitute a part of this Ordinance, nor shall they affect its meaning, construction or effect;
- (d) the terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms as used in this Ordinance refer to the Ordinance in its entirety and not the particular article or section of this Ordinance in which they appear; and
- (e) the term "hereafter" means after the date of execution of this Ordinance and the term "heretofore" means before the date of the execution of this Ordinance.

In the event that any provisions of this Ordinance conflict with any provision of the Loan Agreement, then with respect to any series of the Bonds which are owned by the Department the provisions of the Loan Agreement shall control.

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## ARTICLE II

**AUTHORIZATION, ISSUANCE AND SALE OF BONDS**

SECTION 2.01. Authorization and Issuance of Bonds. This General Bond Ordinance authorizes the issuance of indebtedness of the Issuer to be designated "Utilities Revenue Bonds (or Utilities Revenue Refunding Bonds, as the case may be) of the Parish of St. Tammany, State of Louisiana," and provides for the payment of the principal or prepayment price of and interest thereon and the Administrative Fee. All of the Bonds shall be issued under the authority of the Act and/or the Refunding Act, as the case may be. The Bonds shall be issued for the purpose of financing the costs of constructing and acquiring additions, improvements, extensions and replacements to the System, including equipment, accessories and properties both personal and real and/or for the purpose of refunding any obligations issued for such purposes. Proceeds of Bonds may also be used to pay costs of issuance, costs of credit enhancement, capitalized interest and any initial deposit to the Reserve Fund.

SECTION 2.02. Ordinance to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the Ordinance shall be a part of the contract of the Issuer with the Owners and shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds.

SECTION 2.03. Obligation of Bonds. All of the Bonds, regardless of the date of issue, shall enjoy complete parity of lien on the Net Revenues despite the fact that any of the Bonds may be delivered at an earlier date than any other of the Bonds. Subject to the foregoing, the Net Revenues are irrevocably and irrepealably pledged in an amount sufficient for the payment of the Bonds in principal and interest as they shall respectively become due and payable, and for the other purposes hereinafter set forth herein. The Revenues shall be set aside in the funds and accounts described in Section 5.01 and shall be and remain so pledged for the security and payment of the Bonds in principal and interest, and for all other payments provided in this Ordinance, until all of the Bonds shall be fully paid and discharged.

SECTION 2.04. Series Ordinances. The details of each series of the Bonds shall be set forth in a Series Ordinance. Each Series Ordinance shall provide the following with respect to the applicable series of the Bonds:

- (a) the purposes, dated date, series designation and principal amount, and whether such series is issued under the Act and/or the Refunding Act;
- (b) whether such series will be Capital Appreciation Bonds, Fixed Rate Bonds or Variable Rate Bonds, and a description of the applicable interest rate or rates and the first Interest Payment Date;
- (c) the schedule of principal maturities or installments, or a formula for establishing same, and if such series will be Capital Appreciation Bonds a table of accreted values;
- (d) the manner of payment of principal, interest and Administrative Fee;
- (e) the optional and/or mandatory redemption/prepayment provisions;
- (f) the form or forms of bonds;
- (g) the designation of the Paying Agent;
- (h) the terms of sale to the purchaser thereof;
- (i) the Reserve Fund Requirement and the amount, if any, of proceeds to be deposited into the account in the Reserve Fund established pursuant to Section 5.01(c), and any changes in amounts to be deposited to or maintained in the Contingencies Fund established in Section 5.01(d);
- (j) if the series is issued to refund any outstanding obligations, a description of the plan of refunding and approval of any matters to effect such refunding including the designation of an escrow agent and approval of an escrow deposit agreement, if necessary;

(k) except for the first two series issued pursuant to this Ordinance, a finding by this Governing Authority that the parity requirements of Section 6.01 will have been met with respect to such series;

(l) the amount to which the Contingencies Fund established in Section 5.01(d) must be funded and then maintained;

(m) the designation of such series as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code, if applicable;

(n) provisions for any continuing disclosure agreement as may be required by Rule 15c2-12(b) of the Securities and Exchange Commission [17 CFR §240.15c2-12(b)];

(o) provisions for obtaining the approval of the State Bond Commission for the issuance of such Bonds;

(p) if such series is being sold to the Department and is subject to the Loan Agreement, the designation of the "Scheduled Completion Date" for such series and any required amendments to the Loan Agreement;

(q) provisions with respect to any Credit Enhancement; and

(r) any provisions which are required to have such series qualify as "Build America Bonds" as authorized by §§54AA of the Internal Revenue Code of 1986, as amended and/or qualify for additional federal capitalization grant funds received by either state Revolving Loan Fund pursuant to Title VII of the American Recover and Reinvestment Act; and

(s) any other additional provisions as may be necessary in connection with the issuance and sale of such series.

**SECTION 2.05. Paying Agent.** The Issuer will at all times maintain a Paying Agent meeting the qualifications hereinafter described for the performance of the duties hereunder for the Bonds and, as provided in Section 2.04(g) of this Ordinance, will designate the Paying Agent for each series in the applicable Series Ordinance.

The Issuer reserves the right to appoint a successor Paying Agent by (a) filing with the person then performing such function a certified copy of appropriate proceedings appointing a successor and (b) causing notice to be given to each Owner. Every successor Paying Agent appointed hereunder shall at all times be a bank or trust company organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by Federal or State authority.

**SECTION 2.06. Execution.** Each Series of Bonds shall be executed in the name and on behalf of the Issuer by the manual or facsimile signatures of the Executive Officers or such other persons as may be designated by the Series Ordinance and the corporate seal of the Issuer (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. If facsimile signatures are used, then such signatures be registered with the Louisiana Secretary of State in the manner required by La. R.S. 39:244.

**SECTION 2.07. Regularity of Proceedings.** The Issuer, having investigated the regularity of the proceedings had in connection with the issuance of the Bonds, and having determined the same to be regular, each of the Bonds shall contain the following recital, to-wit:

"It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of this State."

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**ARTICLE III**

**PREPAYMENT OF BONDS**

SECTION 3.01. Optional Prepayment of Bonds. The principal installments of the Bonds shall be subject to prepayment by the Issuer in the manner set forth in the applicable Series Ordinance, pursuant to Section 2.04(e) above.

SECTION 3.02. Notice of Prepayment. Official notice of such call of any of the Bonds for prepayment shall be given by means of first class mail, postage prepaid by notice deposited in the United States Mail not less than thirty (30) days prior to the prepayment date addressed to the Owner of each Bond to be prepaid at his address as shown on the registration records of the Paying Agent, which notice may be waived by any Owner. In the event a portion of the Bonds is to be prepaid, such Bonds shall be surrendered to the Paying Agent, who shall note the date and amount of such prepayment in the space provided therefor on the Bonds.

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**ARTICLE IV**

**APPLICATION OF BOND PROCEEDS**

**SECTION 4.01.**     Issuance of Bonds; Application of Proceeds. All of the proceeds derived from the sale of each series of the Bonds, except for any proceeds as may be designated in a Series Ordinance to be applied for deposit into the Reserve Fund or as accrued interest into the Debt Service Fund or as may be required in connection with the prepayment of any indebtedness, shall be deposited by the Issuer in a construction fund to be established for such series of the Bonds (the "Construction Fund"). The funds in the Construction Fund shall be used solely for the purpose of paying Costs of the Project.

However, in the case of refunding bonds, the proceeds to be used for refunding shall be applied to the immediate prepayment of the refunded obligations, or deposited into an escrow fund, as may be set forth in a Series Ordinance.

Any accrued interest and premium received upon the sale of the Bonds shall be deposited in the debt service fund described in Section 5.01(b) hereof.

**SECTION 4.02.**     Investment of Construction Fund. Moneys in the Construction Fund may be temporarily invested in the manner provided by Louisiana law. Said moneys shall be sacred funds and the Owners shall have a lien thereon until said funds are paid out as provided in the Loan Agreement and this Ordinance. Any investment earnings on moneys in the Construction Fund may be retained in the Construction Fund and applied for the purposes described in this Section, or may be transferred to the Debt Service Fund described in Section 5.01(b) hereof and applied to the payment of interest accruing on the Bonds during the period of construction of Project.

All moneys in the Construction Fund shall at all times be secured to the full extent thereof by the banks or trust companies holding such funds by direct obligations of the United States of America or the State of Louisiana having a market value not less than the amount of moneys then on deposit in said funds.

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**ARTICLE V****PAYMENT OF BONDS; FLOW OF FUNDS**

**SECTION 5.01. Funds and Accounts.** All of income and revenues earned or derived from the operation of the System shall be deposited daily as the same may be collected in the Issuer's "Utilities Revenue Fund," (the "Revenue Fund"). Funds in the Revenue Fund shall be expended in the following order of priority and for the following express purposes:

(a) The payment of all reasonable and necessary expenses of operation and maintenance of the System as are not provided for from other lawfully available sources.

(b) The establishment and maintenance of the "Utilities Revenue Bond Debt Service Fund (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest and Administrative Fee, if any, falling due on the Bonds on the next Interest Payment Date and a sum equal to 1/12th of the principal falling due on the Bonds on any Principal Payment Date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest and Administrative Fee as the same become due. The Issuer shall transfer from said Debt Service Fund to the paying agent(s) for all Bonds payable from the Debt Service Fund, or directly to the Owners, not less than three days prior to each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest and Administrative Fee of the Bonds falling due on such date.

(c) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), containing separate accounts for each series of the Bonds, each such account to be designated as the "Series (insert series designation) Account", the money in the accounts of the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the respective series of the Bonds payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the proceeds of such series or from the Revenue Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in each account in the Reserve Fund within a period not exceeding five (5) years from the Delivery Date to a sum equal to the Reserve Fund Requirement for the applicable series of the Bonds.

(d) The establishment and maintenance of the "Utilities Revenue Bond Depreciation and Contingency Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payments required by (a), (b) and (c) above to the Contingencies Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs (a), (b) and (c) above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum required by the latest Series Ordinance, whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said Fund is reduced below the sum set forth in such Series Ordinance, in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described in paragraphs (b) and (c) above, but the money in said Contingencies Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Ten Thousand Dollars (\$10,000).

(e) Any money remaining in the Revenue Fund after making the above-required payments may be used by the Issuer for the purpose of calling and/or purchasing and paying any bonds payable from the Revenues, or for such other lawful corporate purposes as the Governing Authority may determine.

SECTION 5.02. Reserve Fund Surety Bond or Bond Policy Allowed. In lieu of the required transfers or deposits to any account in the Reserve Fund, the Issuer may cause to be deposited into any account in the Reserve Fund a surety bond or an insurance policy for the benefit of the owners of the applicable series of the Bonds or a letter of credit in an amount equal to the difference between the Reserve Fund Requirement and the sums then on deposit in the applicable account in the Reserve Fund, if any, after the deposit of such surety bond, insurance policy or letter of credit. Such difference may be withdrawn by the Issuer and be deposited the Revenue Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) or any due date on which monies will be required to be withdrawn from the account in the Reserve Fund and applied to the payment of principal, premium, if any, or interest on the related series of the Bonds and such withdrawal cannot be met by amounts on deposit in such account in the Reserve Fund. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this section, the Issuer shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the applicable account in the Reserve Fund, funds in the amount for the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as such shall provide that the amount in the applicable account in the Reserve Fund equals the Reserve Fund Requirement for that series of the Bonds. Any other provision in this Section to the contrary notwithstanding, for each particular series of Bonds or portion thereof which is entitled to the benefits of Credit Enhancement, the right of the Issuer to cause a surety bond or an insurance policy to be deposited into the Reserve Fund *in lieu* of the required transfers or deposits thereto shall be subject to the condition that the Issuer obtain the prior written consent of the provider of the Credit Enhancement as to the structure and the issuer of such surety bond or insurance policy.

SECTION 5.03. Replenishment of Funds. If at any time it shall be necessary to use moneys in any account of the Reserve Fund or the Contingencies Fund for the purpose of paying principal of or interest on Bonds payable from the Debt Service Fund as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter received, not hereinabove required to be used for the purposes described in (a) and (b) above. If at any time there are sufficient moneys on deposit in the Debt Service Fund, the Reserve Fund and the Contingencies Fund to retire all outstanding Bonds payable from the Debt Service Fund by defeasance, by exercising the prepayment option provided by such Bonds or by purchase on the open market, the Issuer may utilize such funds for such purpose.

SECTION 5.04. Notification of Deficiencies. As required by La. R.S. 39:1410.62 the Issuer will notify the State Bond Commission, in writing, whenever (i) transfers to any fund required to be established by this Ordinance or any ordinance authorizing the issuance of indebtedness of the Issuer have not been made timely or (ii) principal, interest, premiums, or other payments due on the Issuer Bonds or any other outstanding indebtedness of the Issuer have not been made timely.

SECTION 5.05. Investment of Funds. All or any part of the moneys in the foregoing funds and accounts shall, at the written request of the Issuer, be invested in accordance with the provisions of the laws of the State of Louisiana, except that moneys in any account in the Reserve Fund, if any, must be invested in Government Securities maturing in five (5) years or less from the date of investment. All income derived from such investments shall be added to the money in said respective funds or to the Revenue Fund and such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purpose for which the respective funds are herein created.

For the purpose of determining if the required amount is being maintained in any of the funds, such investment securities shall be valued at least annually at the lesser of amortized cost (exclusive of accrued interest) or fair market value.

SECTION 5.06. Deposit of Funds and Security Therefor. The Revenues shall be deposited daily as provided in Section 5.01 hereof in the Revenue Fund, which Fund shall be maintained separate and apart from all other funds of the Issuer. The Debt Service Fund, the Reserve Fund and the Contingencies Fund shall be held by the depository banks as special trust funds for the purposes provided in this Ordinance, and all other funds shall be held by the designated banks as special deposits for the purposes set forth in this Ordinance, and subject to such reasonable instructions as the Governing Authority may give in writing to the banks holding such funds. The Owners are hereby granted a lien on all funds established pursuant to the requirements of this Ordinance until applied in the manner herein

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provided, provided that the Owners will only have a lien or claim against the account in the Reserve Fund that pertains to the issue of the Bonds that such Owners own. The moneys on deposit in all of the funds herein required shall at all times be secured to the full extent thereof by the banks or trust companies holding such funds by direct obligations of the United States of America or the State of Louisiana having a market value not less than the amount of moneys then on deposit in said funds.

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## ARTICLE VI

## ISSUANCE OF PARITY OBLIGATIONS

SECTION 6.01. Issuance of Parity Obligations; Parity Requirements. The Issuer hereby covenants that after the issuance of the two initial series hereunder, it shall issue no other Bonds hereunder or otherwise, or obligations of any kind or nature payable from or enjoying a lien on any part of the Revenues having priority over or parity with any of the Bonds, except that Parity Obligations may be issued hereunder and hereafter if the following conditions are met:

(a) If any outstanding bonds of the Issuer are proposed to be refunded with reduced annual debt service in each Bond Year and no extension of the final maturity date, then the Issuer may issue refunding bonds to effect such refunding, and such refunding bonds shall enjoy complete equality of lien with any portion of the Bonds that is still outstanding; or

(b) Parity Obligations may also be issued if all of the following conditions are met:

(i) The average Net Revenues for the preceding two (2) Fiscal Years immediately preceding the issuance of the Parity Obligations must have been not less than 120% of the average debt service requirements of the then Outstanding Bonds (but not including Bonds which have been refunded or provisions otherwise made for their full and complete payment and prepayment), and the Parity Obligations so proposed to be issued; provided, however, that if Parity Obligations are being issued as Variable Rate Bonds, this calculation shall be made assuming interest on said Bonds at historical levels of the applicable variable rate during the previous three (3) years as determined by a nationally recognized underwriter experienced in handling bonds with similar variable rates; and provided further that this limitation may be waived or modified by the written consent of the owners of any bonds then outstanding. If a rate increase has been effected prior to the issuance of the Parity Obligations, then the coverage calculations for the preceding two Fiscal Years immediately preceding the issuance of the Parity Obligations may be made as if such rate increase had been in effect during such period. Furthermore, in the event one or more systems have been acquired by the Issuer prior to the issuance of the Parity Obligations and are included in the System, then the coverage calculations for the preceding two Fiscal Years immediately preceding the issuance of the Parity Obligations may be made as if such acquired systems had been a part of the System during such period.

(ii) The payments required to be made into the various funds provided in Section 5.01 hereof must be current;

(iii) The existence of the facts required by paragraphs (i) and (ii) above must be determined and certified to by the Issuer's chief financial officer or an independent firm of certified public accountants as may have been employed for that purpose;

(iv) The proceeds of the Parity Obligations must be used solely for the making of improvements, extensions, renewals, replacements or repairs to the System or to refund any outstanding revenue bonds payable from a pledge of the Net Revenues issued for such purposes;

(v) The Parity Obligations shall be payable as to principal on August 1 of each year, commencing no more than three (3) years from the Delivery Date, and shall be payable as to interest on each February 1 and August 1; and

(vi) The Issuer must certify that all conditions prescribed in this Section have been met.

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## ARTICLE VII

**RATES AND CHARGES; RATE COVENANT;  
COVENANTS AS TO THE OPERATION OF THE SYSTEM**

SECTION 7.01. Operation of the System. The Issuer will maintain the System in good repair and operating condition and will cooperate with the Department in the observance and performance of the respective duties, covenants, obligations and agreements of the Issuer and the Department under the Loan Agreement.

SECTION 7.02. Charges and Connections. Within the authority granted by the laws of the State, the Issuer shall take all action necessary to require every owner, tenant or occupant of each lot or parcel of land within the geographical boundaries of the Issuer which abuts upon a street or other public way containing a water line and upon which lots or parcels of a building shall have been constructed for residential, commercial or industrial use, to connect said building with the System and to cease to use any other method for water service or the disposal of sewage waste which can be handled by the System. All such connections shall be made in accordance with the rules and regulations to be adopted from time to time by the Issuer, which rules and regulations may provide for an inspection charge to assure the proper making of such connection.

The Issuer will not furnish or supply or cause to be furnished or supplied any use, capacity or service of the System free of charge to any person, firm, corporation (public or private), public agency or instrumentality.

In addition to all other rights and remedies available to be used for the enforcement of water charges and for the compelling of the making of water connections as aforesaid, the Issuer covenants that it shall exercise and enforce promptly and efficiently all rights given it under the laws of the State for the enforcement and collection of such charges.

SECTION 7.03. Rate Covenant. The Borrower will enact, maintain and enforce an ordinance or resolution imposing User Fees and will enact, maintain and enforce a sewerage ordinance or resolution or similar proceeding that satisfies the requirements of all applicable regulations.

So long as the Bonds are outstanding, the Issuer through its Governing Authority obligates itself to fix, establish, maintain, levy and collect such rates, fees, rents or other charges for services and facilities of the System and all parts thereof and to revise the same from time to time whenever necessary to always provide Revenues in each Fiscal Year sufficient to meet all requirements of this Ordinance and at least to pay:

- (a) the reasonable and necessary expenses of operating and maintaining the System in each Fiscal Year,
- (b) the principal and interest and Administrative Fee, if any, falling due during the Fiscal Year;
- (c) all other payments required for such Fiscal Year by the Ordinance and the Loan Agreement; and
- (d) all other obligations or indebtedness payable out of the Revenues for such Fiscal Year,

and which in any event will provide Net Revenues including Other Moneys (as defined below) in an amount equal to at least one hundred twenty percent (120%) of the required deposits in such Fiscal Year to the Debt Service Fund. Such rates, fees, rents or other charges shall not at any time be reduced so as to be insufficient to provide adequate Revenues for the foregoing purposes.

For purposes of this Section 7.03, "Other Moneys" means the avails of any *ad valorem* taxes or sales taxes approved by the voters for the purpose of operation, maintenance and development of the System, revenues from the investment of idle funds of the Issuer, penalties, proceeds of the sale of obsolete and unusable properties or other payments or moneys to the Issuer from any other source, other

than revenues of the System.

Notwithstanding the foregoing, at any time that the Department owns any of the Bonds, in making the calculations required in this Section 7.03, the Issuer may take into account funds other than rates, fees, rents or other charges for services and facilities of the System that are budgeted and actually available for transfer to the Revenue Fund, provided that as required by Louisiana Administrative Code 33:IX.2111(L), or any successor provision, the actual amount of User Fees must be sufficient to offset the costs of operation, maintenance, and replacement of equipment and debt repayment.

SECTION 7.04. Annual Review of User Fees. At least annually the Issuer shall review the adequacy of its User Fees to satisfy the requirements of Section 7.03 for the next succeeding Fiscal Year, in the manner provided by the Loan Agreement.

SECTION 7.05. Enforcement of User Fees. Except as provided herein, nothing in this Ordinance or in the Bonds shall be construed to prevent the Issuer from altering, amending or repealing from time to time as may be necessary any ordinance or resolution setting up and establishing a schedule or schedules of User Fees, said alterations, amendments or repeals to be conditioned upon the continued preservation of the rights of the Owners with respect to the Revenues, not alone for the payment of the principal of and interest on the Bonds, but to give assurance and insure that the Revenues, together with such other lawfully available funds as are used by the Issuer for such purposes, shall be sufficient at all times to meet and fulfill the other provisions stated and specified in Section 7.03 of this Ordinance.

The Issuer agrees that all charges owed by any individual, partnership or corporation for water services rendered by the System shall be billed as a separate item and collected and accounted for separately from any other utility services or charges provided by the Issuer. Failure of any individual, partnership or corporation to pay said charges within fifteen (15) days of the date on which it is due shall cause such charge to become delinquent; the Issuer further agrees that if such delinquent charge, with interest and penalties accrued thereon, is not paid within fifteen (15) days from the date on which it became delinquent, the Issuer will shut off water services to the affected premises. The Issuer further agrees that the Issuer and the Governing Authority and its officials, agents and employees will do all things necessary and will take advantage of all remedies afforded by law to collect and enforce the prompt payment of all charges made for services rendered by the System. All delinquent charges for such services shall on the date of delinquency have added thereto a penalty in such amount as may be determined by the Governing Authority, and the amount so due, including any penalty charge, may, in the discretion of the Governing Authority, after thirty (30) days from the date of delinquency, bear interest at the rate of at least six per centum (6%) per annum. If services shall be discontinued as above provided, the customer shall, in addition to paying the delinquent charges, penalties and interest, if any, pay as a condition precedent to the resumption of service, a reconnection charge as determined by the Governing Authority.

It is further understood and agreed that the schedule of User Fees being charged as of the date of the adoption of this Ordinance for services and facilities rendered by the System shall remain in effect and neither said existing schedule nor any subsequent schedule shall be reduced at any time unless all payments required for all funds by this Ordinance, including any deficiencies for prior payments, have been fully made, and unless such schedule as so reduced will in each year thereafter produce sufficient Revenues to meet and fulfill the other provisions stated and specified in Sections 5.01 and 7.03 hereof.

SECTION 7.06. Right to Pledge Revenues; Rank of Lien. In providing for the issuance of the Bonds, the Issuer does hereby covenant and warrant that it is lawfully seized and possessed of the System, that it has a legal right to pledge the Revenues therefrom as herein provided, that the Bonds will have a lien and privilege on said Revenues subject only to the prior payment from such Revenues or from other lawfully available sources of all reasonable and necessary costs and expenses of operation and maintenance of the System.

SECTION 7.07. Records and Accounts; Audit Reports. The Issuer will establish and maintain adequate financial records as required by the laws of the State governing financial record-keeping by political subdivisions and in accordance with generally accepted accounting principles ("GAAP") and will make these and the following records and reports available to the Owners or their authorized representatives upon request.

The Issuer will cause an audit of its financial statements to be made by an independent firm of

certified public accountants in accordance with the requirements of Chapter 8 of Title 24 of the Louisiana Revised Statutes of 1950, as amended, and in accordance with the requirements of Circular A-133 of the U.S. Office of Management and Budget, and Section 66.458 of the Catalog of Federal Domestic Assistance (CFDA #66.458 - Capitalization Grants for State Revolving Funds) if applicable. Upon completion, but in no event later than six (6) months after the close of the applicable Fiscal Year, the Issuer shall file a copy of such audited financial statements with any Owner requesting same. In addition to whatever matters may be thought proper by the auditors to be included therein, the audited financial statements shall include the following:

- (a) a statement in detail of the income and expenditures of the System for such Fiscal Year,
- (b) a balance sheet of the System as of the end of such Fiscal Year;
- (c) the accountant's comments regarding the manner in which the Issuer has carried out the requirements of the Ordinance and the Loan Agreement and the accountant's recommendations for any changes or improvements in the operation of the System or the method of keeping the records relating thereto;
- (d) a list of the insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;
- (e) the number of System users at the end of the Fiscal Year;
- (f) an analysis of additions, replacements and improvements to the physical properties of the System during the Fiscal Year;
- (g) an analysis of all funds created pursuant to the Ordinance setting out as to each all deposits and disbursements made during the Fiscal Year;
- (h) a statement of all schedules of User Fees in effect during the Fiscal Year, the aggregate dollar billed for services rendered by the System during such Fiscal Year and the average monthly billing per user; and
- (i) a schedule of fixed assets, if not provided elsewhere in the audit report.

A reasonable portion of the expenses incurred in the preparation of the audit report required by this Section may be regarded and paid as a maintenance and operation expense of the System. The Issuer further agrees that if the Department owns any of the Bonds, the Department shall have the right to ask for and discuss with the accountant making the review and the contents of the review and such additional information as it may reasonably require. The Issuer further agrees that if the Department owns any of the Bonds, the Issuer will furnish to the Department, upon request therefor, a monthly statement itemized to show the income and expenses of the operation of the System and the number of users for the preceding month.

**SECTION 7.08. Rights of Owners; Appointment of Receiver in Event of Default.** The Owners from time to time shall be entitled to exercise all rights and powers for which provision is made in the laws of the State of Louisiana. Any Owners or any trustee acting for such Owners in the manner hereinafter provided, may, either at law or in equity, by suit, action, mandamus or other proceeding in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State of Louisiana, or granted and contained in this Ordinance, and may enforce and compel the performance of all duties required by this Ordinance, or by any applicable statutes to be performed by the Issuer or by any agency, board or officer thereof, including the fixing, charging and collecting of rentals, fees or other charges for the use of the System, and in general to take any action necessary to most effectively protect the rights of the Owners.

In the event that default shall be made in the payment of the interest on or the principal of any of the Bonds as the same shall become due, or in the making of the payments into the Debt Service Fund or Reserve Fund or any other payments required to be made by this Ordinance, or in the event that the Issuer

of property which in its judgment has become worn out, unserviceable, unsuitable or unnecessary in the



or any agency, board, officer, agent or employee thereof shall fail or refuse to comply with the provisions of this Ordinance or shall default in any covenant made herein, and in the further event that any such default shall continue for a period of thirty (30) days after written notice, any Owner or any trustee appointed to represent such Owner(s) as hereinafter provided, shall be entitled as of right to the appointment of a receiver of the System in an appropriate judicial proceeding in a court of competent jurisdiction.

The receiver so appointed shall forthwith directly or by his agents and attorneys, enter into and upon and take possession of the System, and each and every part thereof, and shall hold, operate and maintain, manage and control the System, and each and every part thereof, and in the name of the Issuer shall exercise all the rights and powers of the Issuer with respect to the System as the Issuer itself might do. Such receiver shall collect and receive all rates, fees, rentals and other revenues, maintain and operate the System in the manner provided in this Ordinance, and comply under the jurisdiction of the court appointing such receiver, with all of the provisions of this Ordinance.

Whenever all that is due upon the Bonds and interest thereon, and under any covenants of this Ordinance for reserve, sinking or other funds, and upon any other obligations and interest thereon, having a charge, lien or encumbrance upon the fees, rentals or other revenues of the System, shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Owner, or any trustee appointed for the Owners as hereinafter provided, shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver shall in the performance of the powers hereinabove conferred upon him be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court, and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Owners. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any property of any kind or character belonging or pertaining to the System but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and the Owners and the curing and making good of any default under the provisions of this Ordinance, and the title to and the ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any property of the System except with the consent of the Issuer and in such manner as the court shall direct.

The Owner or Owners in an aggregate principal amount of not less than twenty-five percent (25%) of Bonds then outstanding may by a duly executed certificate appoint a trustee for the Owners with authority to represent such Owners in any legal proceedings for the enforcement and protection of the rights of such Owners. Such certificate shall be executed by such Owners, or by their duly authorized attorneys or representatives, and shall be filed in the office of the Secretary-Treasurer of the Issuer.

UNTIL AN EVENT OF DEFAULT SHALL HAVE OCCURRED, THE ISSUER SHALL RETAIN FULL POSSESSION AND CONTROL OF THE SYSTEM WITH FULL RIGHT TO MANAGE, OPERATE AND USE THE SAME AND EVERY PART THEREOF WITH THE RIGHTS APPERTAINING THERETO, AND TO COLLECT AND RECEIVE, AND, SUBJECT TO THE PROVISIONS OF THIS ORDINANCE, TO TAKE, USE AND ENJOY AND DISTRIBUTE THE EARNINGS, INCOME, RENT, ISSUE AND PROFITS ACCRUING ON OR DERIVABLE FROM THE SYSTEM.

SECTION 7.09. Limitations on Sale, Lease or Other Disposition of Property. So long as any of the Bonds are outstanding and unpaid in principal or interest, the Issuer shall be bound and obligated not to sell, lease, encumber or in any manner dispose of the System or any substantial part thereof; provided, however, that this covenant shall not be construed to prevent the disposal by the Issuer of property which in its judgment has become worn out, unserviceable, unsuitable or unnecessary in the

operation of the System, when other property of equal value is substituted therefor or the sale price thereof is deposited in the Contingencies Fund.

SECTION 7.10. Competitive Franchises. So long as the Bonds are Outstanding the Issuer obligates itself not to grant a franchise to any utility for operation within the boundaries of the Issuer which would render services or facilities in competition with the System, and also obligates itself to oppose the granting of any such franchise by any other public body having jurisdiction over such matters. Further, the Issuer shall maintain its corporate identity and existence so long as any of the Bonds remain outstanding.

SECTION 7.11. Prohibition Against Encumbrances. Except as provided in Section 7.09 of this Ordinance, the Issuer will maintain title to or the possession of the System and equipment acquired and properties improved by the Project, including any necessary servitudes and rights-of-way acquired in connection with the Project. Title to any immovable equipment and any real property purchased by the Issuer in connection with the Project will remain free and clear of all liens and encumbrances. Furthermore, all movable property necessary for the operation of the system will remain free of all liens except liens necessary to secure the purchase of said movable equipment.

SECTION 7.12. Insurance; Fidelity Bonds. So long as the Bonds are outstanding the Issuer will maintain or cause to be maintained in force insurance policies and fidelity bonds as set forth in the Loan Agreement.

SECTION 7.13. Retention of Consulting Engineer in Case of Certain Defaults. THE PROVISIONS OF THIS SECTION SHALL APPLY ONLY DURING ANY PERIOD WHEN THE ISSUER MAY BE IN DEFAULT IN MAKING REQUIRED PAYMENTS INTO THE FUNDS REQUIRED BY SECTION 5.01 OF THIS BOND ORDINANCE OR WHEN AN "EVENT OF DEFAULT" HAS OCCURRED UNDER THE LOAN AGREEMENT.

The Issuer covenants and agrees that in the event it should fail to derive sufficient income from the operation of the System to make the required monthly payments into the funds established by Section 5.01 hereby or when an "event of default" has occurred under the Loan Agreement, it will retain a Consulting Engineer on a continuous basis until all defaults are cured, for the purpose of providing for the Issuer continuous engineering counsel in the operation of its System. Such Consulting Engineer shall be retained under contract at such reasonable compensation as may be fixed by the Governing Authority, and the payment of such compensation shall be considered to be one of the costs of maintaining and operating the System. Any Consulting Engineer appointed under the provisions of this Section may be replaced at any time by another Consulting Engineer appointed or retained by the Issuer, with the consent and approval of the Owners of a majority of the outstanding principal amount of the Bonds herein authorized.

The Consulting Engineer shall prepare within ninety (90) days after the close of each Fiscal Year a comprehensive operating report, which report shall contain therein or be accompanied by a certified copy of an audit of the preceding Fiscal Year prepared by the Issuer's certified public accountants, and in addition thereto, shall report upon the operations of the System during the preceding Fiscal Year, the maintenance of the properties, the efficiency of the management of the System, the proper and adequate keeping of books of record and account, the adherence to budget and budgetary control provisions, the adherence to the provisions of this Ordinance and all other things having a bearing upon the efficient and profitable operation of the System, and shall include whatever criticism of any phase of the operation of the System the Consulting Engineer may deem proper, and such recommendations as to changes in operations and the making of repairs, renewals, replacements, extensions, betterments and improvements as the Consulting Engineer may deem proper. Copies of such report shall be placed on file with the Governing Authority and sent to the Owners, and shall be open to inspection by any Owner. It shall be the duty of the Consulting Engineer to pass on the economic soundness or feasibility of any extensions, betterments, improvements, expenditures or purchases of equipment and materials or supplies, which will involve the expenditure of more than Twenty-Five Thousand Dollars (\$25,000.00), whether in one or more than one order, and whether authorized by a budget or not, from funds on deposit in the Contingencies Fund, and the Consulting Engineer shall devise and prescribe a form or forms wherein shall be set forth his or its approval in certificate form, copies of which shall be filed with the utilities director of the Issuer and the depository for said Contingencies Fund.

Sixty (60) days before the close of each Fiscal Year, the Consulting Engineer shall submit to the Governing Authority a suggested budget for the ensuing year's operation of the System and shall submit recommendations as to the schedule of rates and charges for water services supplied by the System, taking into account any other lawfully available funds of the Issuer that may be available for such purposes. A copy of said suggested budget and recommendations shall also be furnished by said Consulting Engineer directly to the Owners. Such recommendations as to rates and charges, consistent with the requirements relating thereto contained herein, shall be followed by the Governing Authority insofar as practicable and all other recommendations shall be given careful consideration by the Governing Authority and shall be substantially followed, except for good and reasonable cause. No expenditures for the operation, maintenance and repair of the System in excess of the amounts stated in said budget shall be made in any year, except upon the certificate of the Consulting Engineer that such expenditures are necessary and essential to the continued operation of the System.

It shall be the duty of the Consulting Engineer to prescribe a system of budgetary control along with forms for exercising of such control which shall be utilized by the manager or superintendent of the System and his staff, and the manager or superintendent shall cause to be prepared monthly reports not later than the twentieth day of each month, for the preceding month's business and operation of the System, which reports shall be submitted to the Consulting Engineer, who shall prepare an analysis of each such report, which analysis shall be filed monthly as expeditiously as possible with the chief financial officer of the Issuer, the manager or superintendent and with the original purchaser of the Bonds.

In the event the Governing Authority shall fail to select and retain a Consulting Engineer in accordance with the first paragraph of this Section within thirty (30) days after the occurrence of the conditions prescribed thereby, then upon the petition of the Owners of twenty-five percent (25%) of the aggregate principal amount of the Bonds then outstanding, the Governing Authority shall select and retain such Consulting Engineer as is named in the petition of said Owners.

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**ARTICLE VIII****FEDERAL TAX MATTERS; CONTINUING DISCLOSURE**

**SECTION 8.01.**      General Tax Covenants. In the event that any of the Bonds are issued as tax-exempt bonds for federal income tax purposes, the Issuer covenants and agrees that, to the extent permitted by the laws of the State of Louisiana, it will comply with the requirements of the Code in order to establish, maintain and preserve the exclusion from "gross income" of interest on the Bonds under the Code. The Issuer further covenants and agrees that it will not take any action, fail to take any action, or permit any action within its control to be taken, or permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in any manner, the effect of which would be to cause the Bonds to be "arbitrage bonds" or would result in the inclusion of the interest on any of the Bonds in gross income under the Code, including, without limitation, (i) the failure to comply with the limitation on investment of Bond proceeds or (ii) the failure to pay any required rebate of arbitrage earnings to the United States of America or (iii) the use of the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds".

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**ARTICLE IX****SUPPLEMENTAL BOND ORDINANCES**

**SECTION 9.01.** Supplemental Ordinances Effective Without Consent of Owners. For any one or more of the following purposes, in addition to the adoption of Series Ordinances pursuant to Section 2.04 with respect to the issuance of additional series of the Bonds, and at any time from time to time, an ordinance supplemental hereto may be adopted, which, upon the filing with the Paying Agent and any rating agency which is then rating the Bonds, of a notice thereof at least fifteen (15) days prior to the adoption thereof, and thereafter with a certified copy thereof, but without any consent of the Owners, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the Issuer in the Ordinance other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Ordinance as theretofore in effect;

(b) to add to the limitations and restrictions in the Ordinance other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Ordinance as theretofore in effect;

(c) to surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of the Ordinance, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Ordinance;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision of the Ordinance; or

(e) to insert such provisions clarifying matters or questions arising under the Ordinance as are necessary or desirable and are not contrary to or inconsistent with the Ordinance as theretofore in effect.

**SECTION 9.02.** Supplemental Ordinances Effective With Consent of Owners. Except as provided in Sections 2.04 and 9.01, any modification or amendment of the Ordinance or of the rights and obligations of the Issuer and of the Owners hereunder, in any particular, may be made by a supplemental ordinance, with the written consent of the Owners of a majority of the Outstanding principal amount of the Bonds at the time such consent is given. The Issuer shall give a notice thereof to the Paying Agent and any rating agency which is then rating the Bonds, at least fifteen (15) days prior to the adoption thereof, and thereafter shall furnish to said persons a certified copy thereof. No such modification or amendment shall permit a change in the terms of prepayment or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the prepayment price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages of Bonds the consent of the Owner of which is required to effect any such modification or amendment, or change the obligation of the Issuer to levy and collect User Fees as provided herein, without the consent of the Owners of all of the Bonds then outstanding, or shall change or modify any of the rights or obligations of either the Paying Agent without its written assent thereto.

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**ARTICLE X**

**EVENTS OF DEFAULT; REMEDIES**

SECTION 10.01. Events of Default. If one or more of the following events (in this Ordinance called "Events of Default") shall happen, that is to say, (a) if default shall be made in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity or otherwise; or (b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; or (c) if default shall be made by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in the Ordinance, any supplemental Ordinance or in the Bonds contained and such default shall continue for a period of forty-five (45) days after written notice thereof to the Issuer by the Owners of not less than 25% of the Outstanding principal amount of the Bonds; or (d) if the Issuer shall file a petition or otherwise seek relief under any Federal or State bankruptcy law or similar law; then, upon the happening and continuance of any Event of Default the Owners shall be entitled to exercise all rights and powers for which provision is made under Louisiana law.

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**ARTICLE XI****MISCELLANEOUS**

**SECTION 11.01. Defeasance.** (a) If the Issuer shall pay or cause to be paid to the Owners of all Bonds then outstanding, the principal, interest, Administrative fee, if any, and prepayment premium, if any, to become due thereon, at the times and in the manner stipulated therein and in the Ordinance, then the covenants, agreements and other obligations of the Issuer to the Owners shall be discharged and satisfied. In such event, the Paying Agent shall, upon the request of the Issuer, execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction and the Paying Agent shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Ordinance which are not required for the payment or prepayment of Bonds not theretofore surrendered for such payment or prepayment.

(b) Bonds or interest installments for the payment of which money shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section if they have been defeased using Defeasance Obligations pursuant to Chapter 14 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, or any successor provisions thereto.

**SECTION 11.02. Parties Interested Herein.** Nothing in the Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Issuer, the Paying Agent and the Owners any right, remedy or claim under or by reason of the Ordinance or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Ordinance contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Paying Agent and the Owners.

**SECTION 11.03. No Recourse on the Bonds.** No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Ordinance against any member of the Governing Authority or officer of the Issuer or any person executing the Bonds.

**SECTION 11.04. Successors and Assigns.** Whenever in this Ordinance the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in this Ordinance contained by or on behalf of the Issuer shall bind and ensure to the benefit of its successors and assigns whether so expressed or not.

**SECTION 11.05. Severability.** In case any one or more of the provisions of the Ordinance or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Ordinance or of the Bonds, but the Ordinance and the Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. Any constitutional or statutory provision enacted after the date of the Ordinance which validates or makes legal any provision of the Ordinance or the Bonds which would not otherwise be valid or legal shall be deemed to apply to the Ordinance and to the Bonds.

**SECTION 11.06. Publication of Ordinance.** This Ordinance shall be published one time in the official journal of the Issuer.

**SECTION 11.07. Restatement.** This General Bond Ordinance shall constitute an amendment and restatement of Ordinance No. C.S. 09-2096 in its entirety.

**SECTION 11.08. Effective Date.** This Ordinance shall become effective immediately.

\* \* \* \* \*

MOVED FOR ADOPTION BY \_\_\_\_\_ SECONDED BY \_\_\_\_\_

WHEREUPON THIS ORDINANCE WAS SUBMITTED TO A VOTE AND RESULTED IN THE FOLLOWING:

YEAS:

**NAYS:**

**ABSTAIN:**

**ABSENT:**

THIS ORDINANCE WAS DECLARED ADOPTED AT A REGULAR MEETING OF THE PARISH COUNCIL ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 2009; AND BECOMES ORDINANCE COUNCIL SERIES NO. \_\_\_\_\_.

JERRY BINDER, COUNCIL CHAIRMAN

ATTEST:

**THERESA L. FORD, COUNCIL CLERK**

**KEVIN DAVIS, PARISH PRESIDENT**

Published introduction OCTOBER 29, 2009

Published adoption \_\_\_\_\_, 2009

Delivered to Parish President \_\_\_\_\_, 2009 @ \_\_\_\_\_

Returned to Council Clerk \_\_\_\_\_, 2009 @ \_\_\_\_\_



STATE OF LOUISIANA

PARISH OF ST. TAMMANY

I, the undersigned Council Clerk of the St. Tammany Parish Council, do hereby certify that the foregoing \_\_\_\_\_ (\_\_\_\_) pages constitute a true and correct copy of an ordinance by said Parish Council on \_\_\_\_\_, 2009, authorizing the issuance from time to time of Utilities Revenue Bonds of the Parish of St. Tammany, State of Louisiana; prescribing the form, and certain terms and conditions of said bonds; providing for the payment thereof in principal and interest; and providing for other matters in connection therewith..

IN FAITH WHEREOF, witness my official signature and the impress of the official seal of said Parish Council on this, the \_\_\_\_ day of \_\_\_\_\_, 2009.

(SEAL)

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Council Clerk