

INDIANAPOLIS DEPARTMENT OF WATERWORKS
BOARD OF DIRECTORS

RESOLUTION NO. 1, 2007

RATIFICATION OF APPLICATION OF FUNDS
OF THE RATE STABILIZATION ACCOUNT

WHEREAS, the Board of Directors ("Board") of the Department of Waterworks ("Department") of the City of Indianapolis, Indiana ("City") is the governing body of the Waterworks District of the City of Indianapolis, Indiana ("District"), operating pursuant to the provisions of IC 8-1.5-4, IC 36-3-4-23, City-County General Ordinance No. 112, 2001, and other applicable authorizing statutes, including IC 36-1-3 and IC 36-9-2-14; and

WHEREAS, the Board did, at a meeting of the Board held on March 5, 2002, adopt the Final Bond Resolution and ratified it on April 22, 2002, which Final Bond Resolution was amended by the First Supplemental Bond Resolution adopted on February 26, 2004, by the 2005F Supplemental Bond Resolution, 2005G Supplemental Bond Resolution and 2005H Supplemental Bond Resolution, each adopted on October 20, 2005, and the 2006 Supplemental Bond Resolution adopted on January 19, 2006; and

WHEREAS, the Board, during a meeting of the Board held on November 16, 2006, and pursuant to Resolution 49, 2006, approved certain documents and authorize certain actions in connection with the refunding of the Refunded 2002A Bonds, including the Amended and Restated Fiscal Policies of the Department ("Policies"); and

WHEREAS, the Policies create and govern the Water Fund, which has been established and consists of a self-balancing group of Accounts, including, without limitation, the respective separate accounts and subaccounts designated in the Resolution and the Policies, and constitutes an independent fiscal and accounting entity; and

WHEREAS, the Policies provide that separate accounts and subaccounts pertaining to the Water Fund may from time to time be created, terminated, and otherwise modified by the Department in its discretion pursuant to a supplemental resolution or by supplements or amendments to the Policies; and

WHEREAS, the Policies create and govern, as a subaccount of the Water Fund, the Rate Stabilization Account, in which was deposited, pursuant to the Policies, \$1,035,000 from the Department Purposes Account; and

WHEREAS, the Policies set forth the following requirements related to the use of the Rate Stabilization Account, to wit:

"Amounts held in the Rate Stabilization Account shall be used for expenditure from time to time for any lawful purpose or purposes of the Issuer pertaining to the Issuer's Waterworks, at the direction of the Board, subject to Section 2.10 hereof, including but not

limited to the following: (i) to provide for shortfall of revenues resulting from the seasonality of water usage, (ii) to pay for any extraordinary costs related to the Waterworks, (iii) to pay for liabilities of the Waterworks, including any indebtedness resulting from a Qualified Hedge or Reimbursement Obligation, and (iv) to fund any shortfall in any other Account. Expenditures from the Rate Stabilization Account shall be in accordance with the annual budget established by the Board"; and

WHEREAS, the Board did, at a meeting of November 17, 2005, pursuant to Resolution 54, 2005, adopt the Department's 2006 budget, which included an amount sufficient to pay the debt service amount due and owing on or before January 2, 2007, in the amount of \$8,183,944 from the Senior Bond Accrual Account; and

WHEREAS, on or before January 2, 2007, there was a shortfall of approximately Six Hundred Thousand Dollars (\$600,000) in the Senior Bond Accrual Account ("Shortfall"); and

WHEREAS, there existed at that time a balance in the Rate Stabilization Account sufficient to cover the Shortfall; and

WHEREAS, without applying funds from the Rate Stabilization Account sufficient to cover the Shortfall, the Department would have had a negative balance in its accounts; and

WHEREAS, with knowledge of the Department's obligation to make payment of the debt service amount due and owing on or before January 2, 2007, and the potential negative balance, the Department applied sufficient funds from the Rate Stabilization Account to cover the Shortfall and to allow the payment of the debt service amount due and owing on or before January 2, 2007; and

WHEREAS, the Board is desirous of ratifying the Department's actions with respect to the application of funds from the Rate Stabilization Account to cover the Shortfall and to allow the payment of the debt service amount due and owing on or before January 2, 2007.

NOW, THEREFORE, BE IT RESOLVED by the Board that the Board hereby ratifies the Department's actions with respect to the application of funds from the Rate Stabilization Account to cover the Shortfall and to allow the payment of the debt service amount due and owing on or before January 2, 2007.

BE IT FURTHER RESOLVED by the Board that the Department shall cause to be deposited into the Rate Stabilization Account an amount at least equal to the amount withdrawn from the Rate Stabilization Account as soon as reasonably practicable in the opinion of the Office of Finance and Management in consultation with the Office of Corporation Counsel.

BE IT FURTHER RESOLVED by the Board that the Acting Director of Contracts and Operations of the Department in consultation with the Office of Corporation Counsel and the Office of Finance and Management is hereby authorized and directed to: (i) prepare, execute and deliver each and every document, certificate, instrument, agreement or affidavit as may be

