

## ORDINANCE NO. 1997-5

An ordinance concerning the acquisition by Jennings Northwest Regional Utilities of Jennings County, Indiana, of a water distribution system and improvements thereto, the issuance of a Bond Anticipation Note and revenue Bonds to apply to the cost thereof, the collection, segregation and distribution of the revenues of said works, the safeguarding of the interests of the owners of the revenue Bonds, and other matters connected therewith, including the issuance of Bonds.

WHEREAS, the Board of Directors ("Board") of the Jennings Northwest Regional Utilities of Jennings County, Indiana (the "District") has heretofore determined to acquire and improve a water distribution system (the "System") and will own and operate the System pursuant to I.C. 13-26 and all laws supplemental thereto (the "Act"); and

WHEREAS, the District has negotiated the acquisition price of the System, and has received estimates of the cost of constructing the improvements thereto, and that on the basis of such negotiations and estimates, the cost of acquiring and improving the System, including estimated incidental expenses, is Two Million Two Hundred Twenty-Five Thousand Dollars (\$2,225,000); and

WHEREAS, the Board expects to spend approximately Two Million Two Hundred Twenty-Five Thousand Dollars (\$2,225,000) to acquire and improve the System, which is to be financed by the issuance of revenue Bonds pursuant to I.C. 13-26-10 in one or more Series, payable solely out of the Net Revenues, as hereinafter defined, of the System; and

WHEREAS, the Bonds to be issued pursuant to this ordinance will constitute a first charge against the Net Revenues of the System and are to be issued subject to the provisions of the laws of the State of Indiana, and the terms and restrictions of this ordinance; and

WHEREAS, the Board will either negotiate the purchase of the Bonds with an underwriter to be selected or will sell the bonds in accordance with I.C. 5-1-11; and

WHEREAS, in anticipation of the issuance of the bonds, the Board may issue a Bond Anticipation Note ("BAN") in accordance with I.C. 5-1-14-5, in an amount not to exceed the authorized amount of the Bonds; and

WHEREAS, all conditions precedent to the adoption of an ordinance authorizing the issuance of the revenue Bonds to apply to the cost of acquiring and improving the System have been complied with in accordance with the provisions of the Act hereinbefore referred to now therefore

BE IT ORDAINED BY THE BOARD OF DIRECTORS OF JENNINGS NORTHWEST REGIONAL UTILITIES OF JENNINGS COUNTY, INDIANA:

Section 1. That the District proceed with the acquisition and improvement of the System in accordance with the plans and specifications to be developed by Chaffee and Associates, consulting engineers of Batesville, Indiana, that the cost of acquiring and improving the System, including expenses incident to the financing, shall not exceed the sum of \$2,225,000, without further authorization from the Board and the System shall be acquired and improved and the Bonds herein authorized shall be issued pursuant to and in accordance with the provisions of the Act. The term "System" and other like terms where used in this ordinance shall be construed to mean and include all such structures and property of the District's water distribution system. The System will include the repair and updating of the existing Country Squire Lake water distribution system.

Section 2. The District shall issue its revenue Bonds designated "Water Works Revenue Bonds" (the "Bonds"), in one or more Series, in an aggregate amount not to exceed \$2,225,000, for the purpose of procuring funds to apply to the cost of acquiring and improving the System and to pay costs associated with the issuance of the Bonds. The Bonds shall be issued in fully registered form in denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof, numbered

consecutively from one (1) up. The Bonds shall be issued in such maturities and interest on the Bonds shall be payable on such dates ("Interest Payment Dates") as the District shall determine, in consultation with its financial advisor, H.J. Umbaugh & Associates.

Section 3. The Bonds shall be registered in the name of the owner in a book maintained for that purpose by the Treasurer of the District ("Bond Register"), and such registration shall be noted thereon by the registrar, after which no transfer shall be valid except by transfer duly acknowledged by the registered owner or his attorney on the Bond Register. No charge shall be made for registration. Principal of the Bonds, subject to prior prepayment as hereinafter provided, shall be payable at the times and in the amounts as shall be determined by the District in consultation with its financial advisor. Interest is payable in lawful money of the United States of America by check mailed to the Registered Owner at the address of said owner as it appears on the Bond Register as of the fifteenth day of the month preceding each Interest Payment Date ("Record Date"). Principal of the Bonds is payable in lawful money of the United States of America, at maturity, upon presentment of the Bond to the Treasurer of the District for cancellation.

Interest on the Bonds shall be paid on each Interest Payment Date, from the last date to which interest has been paid, except that if the Bond is authenticated before the first Record Date, interest shall be paid from the Original Issue Date of the Bonds.

The party in whose name the Bonds shall be registered shall be deemed the absolute owner for all purposes and payments to such owner shall completely discharge the District's obligations.

Section 4. The Bonds shall be issued in the name of the District and shall be executed by the President of the Board and attested by the Secretary of the Board who shall affix the seal of the District thereto. The Bonds shall not be the general obligation of the District, and the Bonds

shall state on their face that the District shall not be obligated to pay the same or the interest thereon except from the special revenue fund provided from the Net Revenues of the System (herein defined as gross revenues of the System remaining after the payment of the reasonable expenses of operation, repair and of the System), including the works authorized herein and all additions and improvements thereto and replacements thereof subsequently constructed or acquired. Subject to the provisions for registration hereof, the Bonds shall have all the qualities and incidents of a negotiable instrument under the laws of the State of Indiana.

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

(Form of Fully Registered Bond)  
UNITED STATES OF AMERICA

State of Indiana  
County of Jennings

JENNINGS NORTHWEST REGIONAL UTILITIES  
WATER WORKS REVENUE BOND  
SERIES 199\_\_

Registered Owner:

Principal Amount:

Original Issue Date

Maturity Date

Interest Rate:

CUSIP

Jennings Northwest Regional Utilities in Jennings County, State of Indiana ("District"), for value received, hereby promises to pay to the registered owner solely out of the special revenue fund hereinafter referred to, the Principal Amount specified above with interest at the Interest Rate per annum specified above until such Principal Amount shall have been fully paid, such interest being payable [\_\_\_\_\_], and semi-annually thereafter on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year (each, an "Interest Payment Date") by check or draft issued by the Treasurer of the District on the Business Day prior to each Interest Payment Date to the Registered Owner at the address shown on the Bond Register on the Record Date (all as defined in the Ordinance (as hereinafter defined)). Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Principal of this Bond is payable, by the Treasurer of the District, in lawful money of the United States of America, on the Maturity Date set forth above, upon surrender hereof.

This Bond is one of an authorized issue of the District in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the "Bonds") issued for the purpose of providing funds to be applied to the cost of acquiring and improving the District's water distribution system (the "System"), as authorized by an ordinance adopted by the Board of the District on August 7, 1997, entitled "An ordinance concerning the acquisition by the Jennings Northwest Regional Utilities of Jennings County, Indiana, of a water distribution system and the construction of improvements thereto, the issuance of a Bond Anticipation Note and revenue Bonds to apply to the cost thereof, the collection, segregation and distribution of the revenues of said works, the safeguarding of the interests of the owners of said revenue Bonds, and other matters connected therewith, including the issuance of Bonds (the "Ordinance"), and in strict compliance with the provisions of I.C. 13-26 and all acts amendatory thereof and supplemental thereto (the "Act").

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this Bond, and any bonds ranking on a parity herewith, are payable solely from the Jennings Northwest Regional Utilities Water System Sinking Fund (the "Sinking Fund") to be provided from the Net Revenues (defined as gross revenues of the System remaining after the payment of the reasonable expenses of operation, repair and maintenance of the System) of the System, including all additions and improvements thereto and replacements thereof subsequently constructed or acquired. This Bond shall not constitute an indebtedness of the District within the meaning of the provisions and limitations of the constitution of the State of Indiana, and the District shall not be obligated to pay this Bond or the interest hereon except from the special fund provided from the Net Revenues.

The District irrevocably pledges the entire Net Revenues of the System to the prompt payment of the principal of and interest on the Bonds and any bonds ranking on a parity herewith, and covenants that it will cause to be fixed, maintained and collected such rates and charges for service rendered by the System as are sufficient in each year for the payment of the reasonable expenses of operation, repair and maintenance of the System, and for the payment of the sums required to be paid into the Sinking Fund under the provisions of the Ordinance and the Act. In the event the District, or the proper officers thereof, shall fail or refuse to fix, maintain and collect such rates or charges, or if there is 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 System and to charge and collect rates sufficient to provide for the payment of the expenses of operation, repair and maintenance of the System and the principal of and interest on this bond and any bonds ranking on a parity herewith.

The District further covenants that it will set aside and pay into its Water System Sinking Fund a sufficient amount of the Net Revenues of the System to meet (a) the interest on this Bond and all other Bonds which, by their terms, are payable from the Net Revenues of the System, as such interest shall fall due, (b) the necessary fiscal agency charges for paying the Bonds and interest, (c) the principal of this Bond and all other Bonds, which, by their terms, are payable from the Net

Revenues of the System, as such principal shall fall due, and (d) an additional amount as a margin of safety to create and maintain the reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of the System.

This Bond may be transferred upon presentation of the Bond and an executed assignment to the Treasurer of the District for notation of the same upon this Bond and the Bond Register or may be exchanged as provided in the Ordinance.

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

This Bond is subject to redemption prior to maturity on any date on and after \_\_\_\_\_, 2007, at the redemption price (expressed as a percentage of the Principal Amount being redeemed) together with accrued interest to the redemption date, as follows:

Redemption Date	Redemption Price
_____, 2007 through 2008	_____
_____, 2008 through 2009	_____
_____, 2009 and thereafter	_____

The Registered Owner of this Bond, by the acceptance hereof, hereby agrees to all the terms and provisions contained in the Ordinance. The Ordinance may be amended without the consent of the owners of the Bonds as provided in the Ordinance if the Board determines, in its sole discretion, that the amendment shall not adversely affect the rights of any of the owners of the Bonds.

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

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

IN WITNESS WHEREOF, the Jennings Northwest Regional Utilities of Jennings County, Indiana, has caused this Bond to be executed in its corporate name by the President of the Board and its corporate seal to be hereunto affixed and manually attested by the Treasurer of the District, all as of the Original Issue Date set forth above.

JENNINGS NORTHWEST REGIONAL  
UTILITIES

BY: \_\_\_\_\_  
PRESIDENT

BY: \_\_\_\_\_  
SECRETARY

ATTEST/AUTHENTICATION:

BY: \_\_\_\_\_  
TREASURER

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM as tenants in common

TEN ENT as tenants by the entireties

JT TEN as joint tenants with right of survivorship and not as tenants in common

UNIF TRAN MIN ACT.

(Cust)

Custodian

(Minor)

Under Uniform Transfers to Minors Act

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

[Please Insert Social Security or other Identifying Number of Assignee ]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, Attorney, to transfer the within Series 1997B Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated \_\_\_\_\_

Signature Guaranteed:

Registered Owner:

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

\_\_\_\_\_  
NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Section 6. The Bonds are subject to redemption prior to maturity at the option of District from any funds regardless of source, in whole, or in part, in such order of maturities as the District shall determine, in any multiple of Five Thousand Dollars (\$5,000.00), on the dates and at the redemption prices as determined by the District in consultation with its financial advisor, and/or by negotiation with the Bond Purchaser.

Notice of redemption of Bonds shall be given by registered mail at least thirty (30) days prior to the date of such redemption or prepayment to the registered owner at his address as shown on the Bond Register. The notice of redemption shall specify the date and place of prepayment and, the maturity dates and CUSIP numbers of the Bonds to be redeemed. The Bonds shall be redeemed at the office of the Treasurer of the District, upon surrender thereof. Interest on the Bonds called for redemption



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

Section 7. The Bonds shall be signed manually or by facsimile in the name of the District by the President and Secretary of the Board. The Treasurer shall affix the seal of the District to each of the Bonds or cause said seal to be imprinted thereon by any means. The President by the signing of a proper signature identification certificate, shall adopt as and for his own proper signature the facsimile signatures appearing on said Bonds. No bond shall be a valid and binding obligation of the District unless and until it has been authenticated by the manual signature of the Treasurer of the District.

Section 8. Upon surrender of a fully registered Bond at the office of the Treasurer of the District, or at such other place as may be agreed upon by and between the District and the registered owner, together with a request for exchange duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the District, such Bond may, at the option of the registered owner thereof, and at the expense of the District, be exchanged for a new fully registered Bond or Bonds in an aggregate amount equal to the maturity amount of the surrendered Bond, in denominations of Five Thousand Dollars (\$5,000.00), or integral multiples thereof, bearing the same rate of interest as the surrendered Bond. Upon the surrender of such fully registered Bond and the

filing of a request for exchange, the District shall execute and deliver such fully registered Bonds in accordance with the request for exchange and in the form substantially as set forth in Section 5 hereof. Said Bonds shall be issued within sixty (60) days from the date of the filing of the request for such exchange. Any fully registered Bond surrendered for exchange shall, upon delivery of the Bonds in exchange therefor, be forthwith canceled by the District.

Section 9. The Treasurer is hereby authorized and directed to have the Bonds prepared, and the President and Secretary are hereby authorized and directed to execute and the Treasurer is hereby authorized to authenticate, the Bonds in the form and manner hereinbefore provided. The Treasurer is hereby authorized and directed to deliver the Bonds to the Bond Purchaser, and to receive payment for the Bonds in the amount set forth in the purchase agreement entered into therefore. The Bonds herein authorized, when fully paid for and delivered, shall be the binding special revenue obligations of the District, payable out of the Net Revenues of the System to be set aside into the Water System Sinking Fund as herein provided, and the proceeds derived from the sale of the Bonds shall be and are hereby set aside for application on the costs of the System and costs associated with the issuance of the Bonds, and the expenses necessarily incurred in connection therewith. The proper officers of the District are hereby directed to draw all proper and necessary warrants, and to do whatever acts and things which may be necessary to carry out the provisions of this ordinance.

Section 10. Prior to the issuance of the Bonds, and in anticipation of the receipt of the proceeds thereof, the District may issue bond anticipation notes ("BAN") in any amount equal to or less than the authorized amount of the Bonds. The BAN shall be issued in the name of the District and shall be executed by the President of the Board and attested by the Secretary of the Board who

shall affix the seal of the District thereto. The BANs may be sold to a financial institution on such terms as the Treasurer of the District shall determine to be in the best interest of the District. However, if the amount of BANs issued is at least \$1,000,000, the BAN may be issued to any purchaser, whether or not a financial institution. The District may renew or extend the BANs from time to time on terms agreed to with the financial institution or other purchaser. The amount of accrued interest on the date of renewal or extension of the BANs may be paid or added to the principal amount of the BANs being renewed or extended, so long as the aggregate principal amount of BANs outstanding at any time does not exceed the maximum principal amount of Bonds authorized to be issued pursuant to this Ordinance. The BANs, including any renewals or extension, must mature on a date not exceeding five years from the date of original issuance of the BANs. The BANs must be finally paid, and interest on the BANs may be finally paid, with the proceeds of the Bonds herein authorized. The BANs shall be issued pursuant to the authority of I.C. 5-1-14-5. Proceeds of the BAN shall be deposited in the Construction Account created in Section 11 of this Ordinance, and disbursed only for the purposes set forth in such section.

Section 11. The accrued interest received at the time of the delivery of the Bonds, if any, shall be deposited in the Jennings Northwest Regional Utilities Water System Sinking Fund (the "Sinking Fund"), created under Section 14 of this Ordinance. The remaining proceeds from the sale of the Bonds, 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 Jennings Northwest Regional Utilities Water System Acquisition and Construction Account (the "Construction Account"). All funds deposited to the credit of the Sinking Fund or the 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 I.C. 5-13, and the acts amendatory thereof and supplemental thereto. The funds in the Construction Account shall be expended only for the purpose of paying the cost of acquiring and improving the System, or as otherwise required by said Act, and for the expenses of issuing of the Bonds. The cost of obtaining the legal services of Bose, McKinney & Evans, shall be considered as a part of the cost of the System on account of which the Bonds are issued.

Any balance or balances remaining unexpended in such special account or accounts after completion of the acquisition of and improvements to the System, which are not required to meet unpaid obligations incurred in connection with the System, shall either (1) be paid into the Sinking Fund and used solely for the purpose 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 I.C. 5-1-13, as amended and supplemented.

Section 12. All revenues derived from the operation of the System and from the collection of rates and charges shall be deposited in the Jennings Northwest Regional Utilities Water System Revenue Fund ("Revenue Fund") hereby established. The Revenue Fund shall be segregated and kept separate and apart from all other funds and accounts of the District. Out of the Revenue Fund the proper and reasonable expenses of operation, repair and maintenance of the System shall be paid, the requirements of the Sinking Fund shall be met and the costs of extensions, improvements, replacements, and additions to the works shall be paid.

Section 13. A Water System Operation and Maintenance Fund (the "Operation and Maintenance Fund") is hereby created. There shall be transferred from the Revenue Fund and credited to the Operation and Maintenance Fund on the last day of each calendar month, a sufficient

amount of the revenues of the System so that the balance in the Operation and Maintenance Fund shall be sufficient to pay the expenses of operation, repair and maintenance for then next succeeding two calendar months. The moneys credited to the Operation and Maintenance Fund shall be used for the payment of the reasonable and proper operation, repair and maintenance expenses of the System on a day-to-day basis, but none of the moneys in such fund shall be used for depreciation, replacements, improvements, extensions or additions. Any balance in the Operation and Maintenance Fund in excess of the expected expenses of operation, repair and maintenance for the next succeeding month may be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding Bonds.

Section 14. A special fund designated "Jennings Northwest Regional Water System Sinking Fund", is hereby created for the payment of the principal of and interest on the Bonds, which by their terms are payable from the Net Revenues of the System, and the payment of any fiscal agency charges in connection with the payment of Bonds and interest. There shall be set aside and deposited in the Sinking Fund, as available, and as hereinafter provided, a sufficient amount of the Net Revenues of the System to meet the requirements of the Water System Bond and Interest Account and of the Water System Debt Service Reserve Account hereby created in the Sinking Fund. Such payments shall continue until the balance in the Water System Bond and Interest Account, plus the balance in the Water System Debt Service Reserve Account hereinafter described, equals the amount needed to redeem all of the Bonds authorized pursuant to this Ordinance then outstanding.

(a) Bond and Interest Account. As soon as the System begins producing revenues, there shall be transferred, on the last day of each calendar month, from the

Revenue Fund and credited to the Bond and Interest Account an amount equal to one sixth (1/6) of the principal and interest on the Bonds due on the next succeeding Interest Payment Date. There shall similarly be credited to the account any amount necessary to pay the bank fiscal agency charges for paying principal and interest on the 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 on the day prior to each Interest Payment Date, remit to the Registered Owner or to the Bank fiscal agency sufficient moneys to pay the principal of and interest on the Bonds then due.

(b) Debt Service Reserve Account. Upon the issuance of the Bonds, there shall be deposited into the Water System Debt Service Reserve Account ("Reserve Account", hereby created, on the last day of each calendar month, a sufficient amount of Net Revenues until the balance in the Reserve Account equals, but does not exceed, the least of (i) the maximum annual debt service on the Bonds authorized hereunder (ii) 125% of average annual debt service on such Bonds or (iii) 10% of the proceeds of the Bonds plus a minor portion as defined in the Internal Revenue Code of 1986, as amended ("Reserve Requirement"). The monthly deposits shall be equal in amount and sufficient to accumulate the Reserve Requirement within [ten (10)] years from the date of issuance of the Bonds. The Reserve Account shall constitute a margin for safety and protection against default in the payment of principal of and interest on outstanding Bonds, authorized hereunder, and the moneys in the Reserve Account shall be used to pay principal of and interest on the 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. In the event moneys in the Reserve Account are transferred to the Bond and Interest Account to pay principal of and interest on outstanding Bonds, then such depletion of the balance in the Reserve Account shall be made up from the next available Net Revenues after the credits into the Bond and Interest Account. Any moneys in the Reserve Account in excess of the Reserve Requirement may be used for the redemption of outstanding Bonds which are then callable, or for the purchase of outstanding Bonds including accrued interest, or shall be transferred to the Water System Improvement Fund, but in no event shall such moneys be held in the Reserve Fund.

Section 15. After meeting the requirements of the Operation and Maintenance Fund, and the Sinking Fund, any excess revenues may be transferred or credited to the Jennings Northwest Regional Utility Water System Improvement Fund ("Improvement Fund"), hereby created, which Fund shall be used for improvements, replacements, additions and extensions to the System. Moneys in the Improvement Fund shall be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal and interest on the Bonds, or if necessary, to eliminate any deficiencies in credits to or minimum balance in the Reserve Account of the Sinking Fund, or may be transferred to the Operation and Maintenance Fund to meet unforeseen contingencies in the operation and maintenance of the System.

Section 16. The Sinking Fund shall be deposited in and maintained as a separate account or accounts apart from all other accounts of the District. The Operation and Maintenance Fund and the Improvement Fund may be maintained in a single account, or accounts, but such account or accounts shall likewise be maintained separate and apart from all other accounts of the District and

apart from the Sinking Fund account or accounts. All moneys deposited in said account or accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that monies therein may be invested in obligations in accordance with the applicable laws, including particularly I.C. 5-13, as amended and supplemented.

Section 17. The District shall keep proper books of records and accounts, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues collected from the System, all disbursements made on account of the System, and also all transactions relating to the System. There shall be prepared and furnished to the Bond Purchaser and, upon written request, to any subsequent owner of the Bonds, not more than ninety (90) days after the close of each fiscal year, complete operating income and expense statements of the System, covering the preceding fiscal year and the balances in the several Funds and Accounts created by this ordinance. The fiscal year of the System shall be from January 1 to December 31, both inclusive. Copies of all such statements and reports, together with all audits of the System made available to the District by the Indiana State Board of Accounts or any successor body authorized by law to audit municipal accounts, shall be kept on file in the office of the Treasurer, and shall be provided to information repositories pursuant to the Continuing Disclosure Undertaking Agreement dated the date of closing on the Bonds. Any owner or owners of the Bonds then outstanding shall have the right at all reasonable times to inspect the System and all records, accounts, statements, audits, reports and data of the District relating to the System. Such inspections may be made by representatives duly authorized by written instrument.

Section 18. The District covenants and agrees that it will establish and maintain just and equitable rates or charges for the use of and the service rendered by the System, to be paid by the



owner of each and every lot, parcel of real estate or building that is connected with and uses the System, or that in any way uses or is served by the System: that such rates or charges shall be sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the System, and for the payment of the sums required to be paid into the Sinking Fund by the Act and this Ordinance. Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance and the requirements of the Sinking Fund. The rates or charges so established shall apply to any and all use of the System by and service rendered to the District and all departments thereof, and shall be paid by the District or the various departments thereof as the charges accrue.

Section 19. The District also reserves the right to authorize and issue Additional Bonds, payable out of the Net Revenues of the System, ranking on a parity with the Bonds authorized by this Ordinance, for the purpose of financing the cost of future additions, extensions and improvements to the System, or to refund obligations, subject to the following conditions:

(a) The interest on and principal of all Bonds payable from the Net Revenues of the System shall have been paid to date in accordance with the terms thereof.

(b) The Net Revenues of the System in the fiscal year immediately preceding the issuance of any such Bonds ranking on a parity with the Bonds authorized by this Ordinance 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 proposed additional parity Bonds; or, prior to the issuance of said parity Bonds, the rates and charges for use of the System shall be increased sufficiently so that the increased rates and charges

applied to the previous fiscal year's operations would have produced Net Revenues for such 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.

(c) The interest and principal on the additional parity Bonds shall be payable on dates and in amounts as the District shall determine.

Section 20. For the purpose of further safeguarding the interests of the owners of the Bonds herein authorized, it is specifically provided as follows:

(a) All contracts let by the District in connection with the construction of the improvement to and expansion of the System ("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 relating to public contracts.

(b) The Project shall be constructed under the supervision and subject to the approval of such Chaffee and Associates, Batesville, Indiana. All estimates for work done or material furnished shall first be checked by the engineer and approved by the District prior to payment therefor.

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

(d) So long as any of the Bonds herein authorized are outstanding, the District shall maintain insurance on the insurable parts of the System of a kind and in an amount such as would normally be carried by private companies 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. Insurance proceeds shall be used in replacing or repairing the property destroyed or damaged.

(e) So long as any of the Bonds authorized hereunder are outstanding, the District shall not mortgage, pledge, or otherwise encumber the System or any part thereof, nor shall it sell, lease, or otherwise dispose of any portion thereof except equipment or property which may become worn out, obsolete, or no longer suitable for use in the System.

(f) Except as hereinbefore provided in Section 19, 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 the System shall be authorized, executed or issued by the District except such as shall be made subordinate and junior in all respects to the Bonds herein authorized, unless all of the Bonds herein authorized have been duly called for redemption and sufficient funds to effect the redemption and retirement have been deposited at the place of redemption on the date fixed for redemption in accordance with the terms and conditions of said Bonds and this Ordinance.

(g) The provisions of this Ordinance shall constitute a contract by and between the District and the owners of the Bonds herein authorized, and after the issuance of the Bonds this ordinance shall not be repealed or amended in any respect which will adversely affect the rights of the owners of the Bonds 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 or the interest thereon remain unpaid. The Board reserves the right, however, excluding the changes set forth in Section 24.(a) through 24.(g) to amend this Ordinance without the consent of Bond owners so long as the Board determines, in its sole discretion, that such amendment would not adversely affect the owners of the Bonds.

(h) The provisions of this ordinance shall be construed to create a trust in the proceeds of the sale of the Bonds herein authorized for the uses and purposes herein set forth, and the owners of the Bonds shall retain a lien on such proceeds until the same are applied in accordance with the provisions of this Ordinance and of the Act. The provisions of this ordinance shall also be construed to create a trust in the Net Revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of the Sinking Fund as set forth in this Ordinance. The owners of the Bonds shall have all of the rights, remedies and privileges set forth in this Ordinance and the Act, including the right of owners of the Bonds to have a receiver appointed to administer the System 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 with respect to any of the provisions of this Ordinance or the Act.

Section 21. When the Bonds issued hereunder or any portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or any portion thereof for redemption shall have been given, and the whole amount of the principal and interest and the premium, if any, so due and payable upon all of the Bonds then outstanding or any portion thereof shall be paid; or (i) sufficient moneys, or (ii) direct obligations of, or obligations the principal of and interest on which are

unconditionally guaranteed by, the United States of America, the principal of and the interest on which when due will provide sufficient moneys for such purpose; or (iii) time certificates of deposit fully secured as to both principal and interest by obligations of the kind described in (ii) above of a bank or banks the principal of and interest on which when due will provide sufficient moneys for such purpose, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Bonds issued hereunder or any designated portion thereof shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the System.

Section 22.

(a) The Treasurer is hereby authorized to invest moneys pursuant to I.C. 5-1-14-3 and the provisions of this Ordinance (subject to applicable requirements of federal law) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the Bonds under federal law.

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

Section 23. In order to preserve the exclusion of interest on the Bonds from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986 as existing on the

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

(a) No person or entity other than the District or another state or local governmental unit will use proceeds of the Bonds or property financed by the Bond 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 proceeds or will have any actual or beneficial use of such property pursuant to a lease, management or incentive payment contract, arrangements such as take-or-pay or output contracts or any other type of arrangement that differentiates that person's or entity's use of such property from use by the general public.

(b) No Bond proceeds will be loaned to any person or entity other than another state or local governmental unit. No Bond 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 proceeds.

(c) No portion of the principal of or interest on the Bonds is (under the terms of the Bonds, this ordinance or any underlying arrangement), directly or indirectly, secured by an interest in property used or to be used for any private business use or payments in respect of 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.

(d) The District will not take any action nor fail to take any action with respect to the Bonds that would result in the loss of the exclusion from gross income for federal tax

purposes on the Bonds pursuant to Section 103 and Section 148 of the Code, nor will the District act in any other manner which would adversely affect such exclusion.

(e) It shall be not an event of default under this ordinance if the interest on any Bonds 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.

(f) The District represents that:

(1) The District is governmentally established by the Commissioners of Jennings County, Indiana, a unit with general taxing powers;

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

(3) At least 95% of the net proceeds of the Bonds will be used for local governmental activities of the District or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the District; and

(4) The aggregate face amount of all tax-exempt Bonds (other than private activity Bonds) issued by the District and all units subordinate to the District is not reasonably expected to exceed \$5,000,000.00 in calendar year 1997.

Therefore, the District meets the requirements of Section 148(f)(4)(D) of the Code and will not have to rebate any arbitrage profits to the United States.

(g) The District represents that:

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

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

(3) The reasonably anticipated amount of qualified tax-exempt obligations (including qualified 501(c)(3) obligations and tax-exempt leases but excluding other private activity Bonds) which will be issued by the District and all entities subordinate to the District during 1997 does not exceed \$10,000,000.

(4) The District has not designated and will not designate more than \$10,000,000.00 of qualified tax-exempt obligations during 1997.

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.

Section 24. Subject to the terms and provisions contained in this section, and not otherwise, the owners of not less than seventy-five percent (75 %) in aggregate principal amount of the Bonds issued pursuant to this ordinance and then outstanding shall have the right, from time to time, (anything contained in this ordinance to the contrary notwithstanding) to consent to and approve the adoption by the District of such ordinance or ordinances supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of: modifying, altering, amending, adding to or rescinding in any particular way the terms or provisions contained in this ordinance, or in any supplemental ordinance; provided, however, that nothing herein contained shall permit or be construed as permitting:

(a) An extension of the maturity of the principal of or interest on any Bond issued pursuant to this Ordinance; or



(b) A reduction in the principal amount of any Bond, the redemption premium or the rate of interest thereon; or

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

(d) A preference or priority of any Bond or Bonds issued pursuant to this Ordinance over any other Bond or Bonds issued pursuant to the provisions of this Ordinance; or

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

(f) A reduction in the balance to be maintained in the Reserve Account; or

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

If the owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds outstanding at the time of adoption of such supplemental Ordinance shall have consented to and approved the adoption thereof by written instrument to be maintained on file in the office of the Treasurer of the District, no owner of any Bond issued pursuant to this Ordinance shall have any right to object to the adoption of such supplemental Ordinance or to object to any of the terms and provisions thereof. Upon the adoption of any supplemental Ordinance pursuant to the provisions of this section, this Ordinance shall be, and shall be deemed, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Ordinance of the District and all owners of Bonds issued pursuant to the provisions of this Ordinance then outstanding, shall thereafter be determined exercised and enforced in accordance with this Ordinance, subject in all respects to such modifications and amendments. Notwithstanding anything contained in the

foregoing provisions of this Ordinance, the rights and obligations of the District and of the owners of the Bonds authorized by this Ordinance, and the terms and provisions of the Bonds and this Ordinance, or any supplemental Ordinance, may be modified or altered in any respect with the consent of the District and the consent of the owners of all the Bonds issued pursuant to this Ordinance then outstanding.

Section 25. Notwithstanding any other provision of this ordinance, the covenants and authorizations contained in this Ordinance which are designed to preserve the exclusion of interest on the Bonds from gross income under federal law (the "Tax Exemption") need not be complied with if the District receives an opinion of nationally recognized Bond counsel that any such covenants or authorizations are unnecessary to preserve the Tax Exemption.

Section 26. All ordinances and parts of ordinances in conflict herewith are hereby repealed.

Section 27. This ordinance shall be in full force and effect from and after its passage.  
Adopted: August 7, 1997.

JENNINGS NORTHWEST REGIONAL UTILITIES

BY: Vance D. Fankhouser  
PRESIDENT

May A. Wiley  
BOARD MEMBER

Paul Michael Jurwin  
BOARD MEMBER

Nelson C. Little  
BOARD MEMBER

Bruce Lennon  
BOARD MEMBER

Norma Lupton  
BOARD MEMBER

\_\_\_\_\_  
BOARD MEMBER

ATTEST:

BY: Norma Lupton  
SECRETARY