

ORDINANCE NO. 2002-4

An Ordinance concerning the refunding by Jennings Northwest Regional Utilities of its Sewage Works Bond Anticipation Notes, Series 1999A; authorizing the issuance of sewage works revenue bonds for such purpose; providing for the collection, segregation and distribution of the revenues of the sewage works and the safeguarding of the interests of the owners of said sewage works revenue bonds; other matters connected therewith; and repealing ordinances inconsistent herewith

WHEREAS, Jennings Northwest Regional Utilities ("District") has heretofore established, acquired, constructed and financed its sewage works, and now owns and operates said sewage works pursuant to IC 13-26; and

WHEREAS, the Board of Trustees finds that there are now outstanding notes issued to finance the construction of additions and improvements to the sewage works, designated "Sewage Works Bond Anticipation Notes, Series 1999A," dated May 11, 1999 ("Notes"), originally issued and now outstanding in the amount of \$5,800,000 and maturing on September 1, 2002; and

WHEREAS, the Board of Trustees finds that the Notes should be refunded pursuant to the provisions of IC 5-1-6 and IC 13-26, each as in effect on the date of delivery of the bonds issued hereunder (collectively, "Act") and that it is advisable to issue its sewage works revenue bonds in one or more series in an aggregate principal amount not to exceed Six Million Five Hundred Thousand Dollars (\$6,500,000) and to use the proceeds to refund the Notes and to pay for all costs related to the refunding; and

WHEREAS, the Board of Trustees finds that there are now outstanding certain bonds of the sewage works designated "Sewage Works Revenue Bonds of 1997, Series A," dated November 4, 1997 ("1997 Bonds"), originally issued in the amount of \$1,380,000, now outstanding in the amount

of \$1,290,000 and maturing annually over a period ending September 1, 2022, which 1997 Bonds constitute a first charge upon the Net Revenues (as hereinafter defined) of the sewage works; and

WHEREAS, the ordinance authorizing the issuance of the 1997 Bonds permits the issuance of additional bonds ranking on a parity with the 1997 Bonds if certain conditions can be met; and

WHEREAS, on August 1, 2002, the Board of Trustees adopted Ordinance No. 2002-3 ("Rate Ordinance") increasing the rates and charges of the sewage works in an amount sufficient to enable the District to provide sufficient revenues for the payment of debt service on the 1997 Bonds and the bonds herein authorized; and

WHEREAS, the rates and charges set forth in the Rate Ordinance, depending upon the terms of any series of bonds issued hereunder, may be sufficient to enable the District to meet the conditions for the issuance of one or more series of bonds authorized herein on a parity with the 1997 Bonds; and

WHEREAS, the Rate Ordinance is subject to an objecting period which has not expired and the Board of Trustees cannot predict at this time whether the rates and charges set forth in the Rate Ordinance will be in place at the time of the issuance of the bonds herein authorized; and

WHEREAS, the Secretary, with the advice of the District's financial advisor based upon the rates and charges of the sewage works then in effect, shall determine at the time of issuance of each series of bonds herein authorized whether the finances of the sewage works will enable the District to meet the conditions for the issuance of such series of bonds on a parity with the 1997 Bonds and shall designate the bonds as constituting either (i) a first charge, (ii) second charge or (iii) more junior charge upon the Net Revenues of the sewage works; and

WHEREAS, based upon the aforementioned designation of the Secretary, each series of bonds herein authorized will constitute either (i) a first charge against the Net Revenues of the sewage works, on a parity with the 1997 Bonds, (ii) a second charge against the Net Revenues of the sewage works ("Second Lien Bonds") subject to the prior payment of the 1997 Bonds and any bonds issued hereunder on a parity with the 1997 Bonds ("First Lien Bonds"), or (iii) a more junior charge against the Net Revenues of the sewage works subject to the prior payment of the 1997 Bonds, the First Lien Bonds, the Second Lien Bonds and any other series of bonds issued hereunder and designated with a superior lien on the Net Revenues and such series of bonds may constitute different charges against the Net Revenues irrespective of whether such bonds are issued on the same date; and

WHEREAS, the District will enter into a financial assistance agreement with the State of Indiana, pertaining to the refunding of the Notes, the financing thereof and the project financed with the Notes ("Financial Assistance Agreement"); and

WHEREAS, the final maturity of one or more series of bonds authorized herein may contain a balloon payment, which the District has determined to refinance if the District is not otherwise able to pay such balloon payment from revenues of the sewage works; and

WHEREAS, the bonds issued hereunder are to be issued subject to the provisions of the laws of the Act, and the terms and restrictions of this ordinance; and

WHEREAS, the Board of Trustees now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of said revenue bonds have been complied with in accordance with the provisions of the Act; now, therefore,

BE IT ORDAINED BY THE BOARD OF TRUSTEES OF JENNINGS NORTHWEST
REGIONAL UTILITIES THAT:

Sec. 1. Refunding of Notes; Issuance of Bonds. (a) The District, being the owner of and engaged in operating an unencumbered sewage works supplying the District and its customers with sewage disposal and treatment services, now finds it necessary to provide funds for refunding the Notes pursuant to the Act and IC 5-1-14-5. The terms "sewage works," "sewage works system," "works," "system," and words of like import where used in this ordinance shall be construed to mean (i) the Treatment Works, as defined in the Financial Assistance Agreement to be entered into between the District and the State of Indiana, (ii) the System as defined in the ordinance authorizing the 1997 Bonds and (iii) includes all such structures and property of the District's wastewater collection and treatment system.

(b) The District is hereby authorized to issue its sewage works revenue bonds in one or more series, in the aggregate principal amount not to exceed \$6,500,000 to be designated "Sewage Works Revenue Bonds of 200 __, Series __" ("Bonds"), to be completed with the year in which the Bonds are issued and the series designation, for the purpose of procuring funds to apply on the cost of refunding the Notes and issuance costs. The Bonds shall be issued and sold at a price not less than the par value thereof if sold to the Indiana State Revolving Loan Fund Program ("SRF Program") and not less than 97% of the par value thereof if sold to any other purchaser. The Bonds shall be issued in fully registered form in denominations of One Dollar (\$1) or any integral multiple thereof if sold to the SRF Program, and in denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof if sold to any other purchaser. The Bonds shall be numbered consecutively from 1 up, originally dated as of the first day of the month in which they are sold or delivered, or the date of

delivery thereof, to be determined by the Secretary with the advice of the District's financial advisor; provided, however, if the Bonds are sold to the SRF Program they shall be dated the date of delivery thereof. The Bonds shall bear interest at a rate or rates not exceeding 7% (the exact rate or rates to be determined by negotiation). Interest is payable semiannually on March 1 and September 1, in each year, commencing on the first March 1 or the first September 1 following the delivery of the Bonds as determined by the Secretary, with the advice of the District's financial advisor. Principal shall be payable in lawful money of the United States of America, and such Bonds shall mature annually on September 1, or be subject to mandatory sinking fund redemption on September 1, over a period ending no later than September 1, 2032 and in such amounts that either will (i) produce as level annual debt service as practicable taking into account the annual debt service requirements on all series of Bonds and the 1997 Bonds, (ii) produce as level annual debt service as practicable, or, if any series of Bonds are sold to the SRF Program, (iii) allow the District to meet the coverage requirements of the SRF Program, or (iv) allow the District to issue as many Bonds as possible hereunder on a parity basis with the 1997 Bonds. If any series of Bonds are sold to the SRF Program, the debt service schedule shall be finalized and set forth in the Financial Assistance Agreement.

All or a portion of the Bonds sold to a purchaser other than the SRF Program may be issued as one or more term bonds, upon election of the purchaser. Such term bonds shall have a stated maturity or maturities as determined by the purchaser, but in no event later than the last serial maturity date of the Bonds as determined in accordance with the above paragraph. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of

the principal amount thereof, plus accrued interest to the redemption date, on principal payment dates which are hereinafter determined in accordance with the above paragraph.

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

Any reference herein to the SRF Program as the purchaser of the Bonds shall be deemed to include circumstances wherein the Indiana Bond Bank (or any other nominal owner of the Bonds) is the registered owner of the Bonds for the benefit of the SRF Program.

(c) At the time of issuance of each series of Bonds, the Secretary, with the advice of the District's financial advisor and based upon the rates and charges of the sewage works then in effect, shall determine whether the finances of the sewage works will enable the District to meet the conditions for the issuance of the Bonds on a parity with the 1997 Bonds and shall designate the Bonds as constituting either a (i) first charge, (ii) second charge or (iii) more junior charge upon the Net Revenues of the sewage works and such series of Bonds may constitute different charges against the Net Revenues irrespective of whether such Bonds are issued on the same date.

Sec. 2. Registrar/Paying Agent; Book-Entry Provisions. (a) The President and Secretary are authorized to select and appoint a qualified financial institution to serve as Registrar and Paying Agent for the Bonds, which Registrar is hereby charged with the responsibility of authenticating the Bonds ("Registrar" or "Paying Agent"). The Secretary is hereby authorized to enter into such agreements or understandings with such institution as will enable the institution to perform the services required of a Registrar and Paying Agent. The Secretary is further authorized to pay such fees as the institution may charge for the services it provides as Registrar and Paying Agent, and such

fees may be paid from the hereinafter defined Sinking Fund established to pay the principal of and interest on the Bonds and fiscal agency charges.

(b) If the Bonds are sold to the SRF Program or any other purchaser that does not object to such designation, the Secretary shall serve as Registrar and Paying Agent and is hereby charged with the duties of a Registrar and Paying Agent.

(c) If the Bonds are sold to the SRF Program, the principal of and interest thereon shall be paid by wire transfer to such financial institution if and as directed by the State on the due date of such payment or, if such due date is a day when financial institutions are not open for business, on the business day immediately after such due date. So long as the State of Indiana or the Indiana Bond Bank is the owner of said Bonds, such Bonds shall be presented for payment as directed by the State.

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

p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time).

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

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

(e) Interest on the Bonds sold to the SRF Program shall be paid from the date or dates which are set forth in the Financial Assistance Agreement. Interest on all other Bonds shall be payable from the interest payment date to which interest has been paid next preceding the authentication date of the Bonds unless the Bonds are authenticated after the Record Date and on or before such interest payment date in which case they shall bear interest from such interest payment

date, or unless the Bonds are authenticated on or before the Record Date preceding the first interest payment date, in which case they shall bear interest from the original date until the principal shall be fully paid.

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

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

No person other than the Depository Trust Company shall receive an authenticated Bond evidencing an obligation of the District to make payments of the principal of and premium, if any, and interest on the Bonds pursuant to this ordinance. The District and the Registrar and Paying Agent may treat as and deem the Depository Trust Company or CEDE & CO. to be the absolute bondholder of each of the Bonds for the purpose of (i) payment of the principal of and premium, if any, and interest on such Bonds; (ii) giving notices of redemption and other notices permitted to be given to bondholders with respect to such Bonds; (iii) registering transfers with respect to such Bonds; (iv) obtaining any consent or other action required or permitted to be taken of or by bondholders; (v) voting; and (vi) for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Depository Trust Company, and all such payments shall be valid and effective fully to satisfy and discharge the District's and the Paying Agent's obligations with respect to principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by the Depository Trust Company to the District of written notice to the effect that the Depository Trust Company has determined to substitute a new nominee in place of CEDE & CO., and subject to the provisions herein with respect to consents, the words "CEDE & CO." in this ordinance shall refer to such new nominee of the Depository Trust Company. Notwithstanding any other provision hereof to the contrary, so long as any Bond is registered in the name of CEDE & CO., as nominee of the Depository Trust Company, all payments with respect to the principal of and premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Depository Trust Company as provided in a representation letter from the District to the Depository Trust Company.

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

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

If the Bonds shall no longer be restricted to being registered in the name of the Depository Trust Company, the Registrar shall cause said Bonds to be printed in blank in such number as the

Registrar shall determine to be necessary or customary; provided, however, that the Registrar shall not be required to have such Bonds printed until it shall have received from the District indemnification for all costs and expenses associated with such printing.

In connection with any notice or other communication to be provided to bondholders by the District or the Registrar with respect to any consent or other action to be taken by bondholders, the District or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Depository Trust Company notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

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

Sec. 3. Redemption of Bonds. (a) The Bonds are redeemable at the option of the District, (i) on a date no sooner than ten (10) years after the date of delivery of the Bonds for any Bonds sold to the SRF Program, or (ii) on any date for Bonds sold to another purchaser, or any date thereafter, on sixty (60) days' notice if sold to the SRF Program and on thirty (30) days' notice if sold to any other purchaser, in whole or in part, in inverse order of maturity if sold to the SRF Program or in the order of maturity as determined by the District if sold to any other purchaser, and by lot within a maturity, at face value together with a premium no greater than 2%, plus accrued interest to the date fixed for redemption. The exact redemption dates and premiums shall be established by the Secretary, with the advice of the District's financial advisor, prior to the sale of the Bonds.

If more than one series of Bonds is sold to the SRF Program and each series constitutes a different charge upon the Net Revenues, the more junior series of Bonds shall be redeemed by optional redemption before any of the more senior series of Bonds may be redeemed.

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

sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall credit only such Bonds maturing as term bonds to the extent received on or before forty-five (45) days preceding the applicable mandatory redemption date.

Each authorized denomination shall be considered a separate bond for purposes of redemption. If less than an entire maturity is called for redemption, the Bonds to be called for redemption shall be selected by lot by the Registrar. If some Bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the Bonds for optional redemption before selecting the Bonds by lot for the mandatory sinking fund redemption.

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

Sec. 4. Execution of Bonds; Pledge of Net Revenues to Bonds. The Bonds shall be signed in the name of the District by manual or facsimile signature of the President and attested by the manual

or facsimile signature of its Secretary, who shall affix the seal of said District, if any, to each of said Bonds manually or shall have the seal imprinted or impressed thereon by facsimile. These officials, by the signing of a Signature and No Litigation Certificate, shall adopt as and for their own proper signatures their facsimile signatures appearing on said Bonds. The Bonds must be authenticated by an authorized officer of the Registrar and Paying Agent.

The Bonds and any bonds ranking on a parity therewith, as to both principal and interest, shall be payable from and secured by an irrevocable pledge of the Net Revenues (herein defined as gross revenues of the sewage works remaining after the payment of the reasonable expenses of operation, repair and maintenance) of the sewage works, including all additions and improvements thereto and replacements thereof subsequently constructed or acquired and shall constitute either (i) a first, (ii) second or (iii) more junior charge upon the Net Revenues of the sewage works of the District, as determined by the Secretary at the time of issuance of the Bonds pursuant to Section 1(c). Any Bonds issued hereunder and designated as a first charge on the Net Revenues of the sewage works shall rank on a parity with the 1997 Bonds. The District shall not be obligated to pay said Bonds or the interest thereon except from the Net Revenues of said sewage works, and said Bonds shall not constitute an indebtedness of the District within the meaning of the provisions and limitations of the constitution of the State of Indiana.

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

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Jennings Northwest Regional Utilities or its agent for registration of transfer, exchange, or payment, and

any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

UNITED STATES OF AMERICA

STATE OF INDIANA

COUNTY OF JENNINGS

JENNINGS NORTHWEST REGIONAL UTILITIES
SEWAGE WORKS REVENUE BOND OF 200__, SERIES ____

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

Principal Sum:

Jennings Northwest Regional Utilities (the "District"), in Jennings County, State of Indiana, for value received, hereby promises to pay to the Registered Owner (named above) or registered assigns, the Principal Sum set forth above[, or so much thereof as may be advanced from time to time and be outstanding as evidenced by the records of the registered owner making payment for this Bond, or its assigns] on [the Maturity Date set forth above] or [September 1 in the years and in the amounts as set forth on Exhibit A hereto] (unless this Bond be subject to and shall have been duly called for redemption and payment as provided for herein), and to pay interest hereon until the Principal Sum shall be fully paid at the rate per annum specified above from [the dates of payment made on this Bond] or [the interest payment date to which interest has been paid next preceding the Authentication Date of this Bond unless this Bond is authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case it shall bear interest from such interest payment date or unless this Bond is authenticated on or before _____ 15, _____, in which case it shall bear interest from the Original Date,] which interest is payable semiannually on the first days of March and September of each year, beginning on _____ 1, _____. Interest shall be calculated according to a 360-day calendar year containing twelve 30-day months.

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

This Bond shall not constitute an indebtedness of Jennings Northwest Regional Utilities 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 TERMS AND PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE SIDE HEREOF AND SUCH TERMS AND PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.

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

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

IN WITNESS WHEREOF, Jennings Northwest Regional Utilities, in Jennings County, Indiana, has caused this Bond to be executed in its corporate name

by the manual or facsimile signature of the President of the Board of Trustees, [its corporate seal to be hereunto affixed, imprinted or impressed by any means] and attested manually or by facsimile by its Secretary.

JENNINGS NORTHWEST REGIONAL UTILITIES

[SEAL]

By _____
President, Board of Trustees

Attest:

Secretary

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

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

, as Registrar

By: _____
Authorized Representative

(To be printed on reverse side)

This Bond is [the only] one of an authorized issue of Bonds of Jennings Northwest Regional Utilities, issued in series, of like date tenor and effect, except as to numbering, interest rate, and dates of maturity, in the total aggregate amount of _____ Dollars (\$_____) [for this series] (the "Bonds"), numbered from 1 up, issued for the purpose of providing funds to be applied on the cost of refunding certain Notes (as defined in the hereinafter defined Ordinance) and to pay incidental expenses, as authorized by an Ordinance adopted by the Board of Trustees of Jennings Northwest Regional Utilities on the 15th day of August, 2002, entitled "An Ordinance concerning the refunding by Jennings Northwest Regional Utilities of its Sewage Works Bond Anticipation Notes, Series 1999A; authorizing the issuance of sewage works revenue bonds for such purpose; providing for the collection, segregation and distribution of the revenues of the

sewage works and the safeguarding of the interests of the owners of said sewage works revenue bonds; other matters connected therewith; and repealing ordinances inconsistent herewith" (the "Ordinance"), and in strict compliance with the provisions of IC 13-26 and IC 5-1-6, each as in effect on the date of delivery of the Bonds (the "Act").

[Reference is hereby made to the Financial Assistance Agreement between the District and the State of Indiana pertaining to the refunding of the Notes, the terms of this Bond and the project financed with the Notes (the "Financial Assistance Agreement").]

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

Pursuant to the Ordinance, concurrently with the delivery of this Bond and all other Bonds of this issue, the District will apply proceeds of the Bonds of this issue to provide payment of principal of and interest on the Notes.

Pursuant to the provisions of said Act and said Ordinance, the principal and interest of this Bond and all other Bonds of said issue, and any bonds hereafter issued on a parity therewith, are payable solely from the Jennings Northwest Regional Utilities Wastewater System Sinking Fund (continued by the Ordinance) ("Sinking Fund") to be provided from the Net Revenues (defined as the gross revenues of the sewage works (as defined in the Ordinance) remaining after the payment of the reasonable expenses of operation, repair and maintenance) of the sewage works of the District, including all additions and improvements thereto and replacements thereof subsequently constructed or acquired. The Bonds of the issue of which this Bond is a part have been issued [on a parity with] [on a junior and subordinate basis to the Sewage Works Revenue Bonds of 200__, Series __ ("Series __ Bonds") and][the Sewage Works Revenue Bonds of 200__, Series __ ("Series __ Bonds") and] certain bonds previously issued by the District ("1997 Bonds") as more particularly described in the Ordinance.

Jennings Northwest Regional Utilities irrevocably pledges the entire Net Revenues of said sewage works to the prompt payment of the principal of and interest on the Bonds authorized by said Ordinance, of which this is one, and any bonds ranking on a parity therewith, [including the 1997 Bonds,] [subject to the prior payment of the 1997 Bonds] [and][,] [the Series __ Bonds] [and the Series __ Bonds,] to the extent necessary for that purpose, and[, except as otherwise provided in the Ordinance with respect to the final maturity of the Bonds,] covenants that it will cause to be fixed, maintained and collected such rates and charges for service rendered by said sewage works as are sufficient in each year for the payment of the

proper and reasonable expenses of Operation and Maintenance (as defined in the Financial Assistance Agreement) of said sewage works and for the payment of the sums required to be paid into said Sinking Fund under the provisions of the Act and the Ordinance. If the District or the proper officers of the District shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the interest on or principal of this Bond, the owner of this Bond shall have all of the rights and remedies provided for under the Act, including the right to have a receiver appointed to administer the works and to charge and collect rates sufficient to provide for the payment of this Bond and the interest hereon.

Jennings Northwest Regional Utilities further covenants that it will set aside and pay into its Sinking Fund a sufficient amount of the Net Revenues of the sewage works to meet (a) the interest on all bonds authorized by the Ordinance, as such interest shall fall due, (b) the necessary fiscal agency charges for paying the bonds and interest, (c) the principal of all bonds authorized by the Ordinance, as such principal shall fall due, and (d) an additional amount to [create and] maintain the reserve required by the Ordinance. Such required payments shall constitute a [] charge upon all the Net Revenues of said sewage works, [on a parity with the] [subject to the aforementioned] [1997 Bonds][and Series __ Bonds][, Series __ Bonds and Series __ Bonds].

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

__% if redeemed on ____, 20__ or thereafter
on or before ____, 20__;
__% if redeemed on ____, 20__ or thereafter
on or before ____, 20__;
0% if redeemed on ____, 20__ or thereafter
prior to maturity;

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

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

Year

Amount

*

* Final Maturity]

Each authorized denomination of Bonds shall be considered a separate Bond for purposes of redemption. If less than an entire maturity is called for redemption, the Bonds to be called for redemption shall be selected by lot by the Registrar. [If some Bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the Bonds for optional redemption before selecting the Bonds by lot for the mandatory sinking fund redemption.]

Notice of such redemption shall be mailed to the address of the registered owner as shown on the registration record of the District, as of the date which is [sixty-five (65)] [forty-five (45)] days prior to such redemption date, not less than [sixty (60)][thirty (30)] days prior to the date fixed for redemption. The notice shall specify the date and place of redemption and sufficient identification of the Bonds called for redemption. The place of redemption may be determined by the District. Interest on the Bonds so called for redemption shall cease on the redemption date fixed in such notice, if sufficient funds are available at the place of redemption to pay the redemption price on the date so named.

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

This Bond is transferable or exchangeable only upon the books of the District kept for that purpose at the office of the Registrar, by the registered owner hereof in person, or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or to the registered owner, as the case may be, in exchange therefor. The District, the Registrar and any paying agent for this Bond may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for all purposes including for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon.

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

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

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

ASSIGNMENT

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

Dated: _____

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

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

Sec. 6. Preparation and Sale of Bonds. (a) The Secretary is hereby authorized and directed to have said Bonds prepared, and the President and Secretary are hereby authorized and directed to execute said Bonds in the form and manner herein provided. The Treasurer is hereby authorized and directed to deliver said Bonds to the purchasers thereof after sale made in accordance with the provisions of this ordinance, provided that at the time of said delivery the Treasurer shall collect the full amount which the purchasers have agreed to pay therefor, which amount shall not be less than the par value of the Bonds, if sold to the SRF Program, and not less than 97% of the par value of the Bonds, if sold to any other purchaser. The District may receive payment for the Bonds in installments. Each series of Bonds herein authorized, as and to the extent paid for and delivered to the purchaser, shall be the binding special revenue obligations of the District, payable out of the Net Revenues of the District's sewage works to be set aside into the Sinking Fund as herein provided. 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.

(b) For any series of Bonds sold to a purchaser other than the SRF Program, distribution of an Official Statement prepared by H.J. Umbaugh & Associates, on behalf of the District, is hereby authorized and approved and the President or the Secretary are authorized and directed to execute the Official Statement on behalf of the District in a form consistent with this ordinance. If the Bonds are

subject to Rule 15c2-12 promulgated by the Securities Exchange Commission ("Rule"), the President or the Secretary is hereby authorized to designate the preliminary Official Statement as "nearly final" for purposes of the Rule. In the alternative, the District may obtain an investment letter from the purchaser of the Bonds which satisfies federal and state securities laws applicable to the Bonds.

Sec. 7. Bond Sale. The Treasurer may negotiate the sale of any series of Bonds to the SRF Program or any other purchaser. The President and the Treasurer are hereby authorized to (i) submit an application to the SRF Program, (ii) execute a purchase agreement with the Indiana Bond Bank or any other purchaser, and (iii) sell such Bonds upon such terms as are acceptable to the President and Treasurer consistent with the terms of this ordinance. If any series of Bonds is sold to the SRF Program, the Financial Assistance Agreement for the Bonds and the refunding of the Notes shall be executed by the District and the State of Indiana. The substantially final form of Financial Assistance Agreement attached hereto and incorporated herein by reference is hereby approved by the Board of Trustees, and the President and Treasurer are authorized to execute and deliver the same, and to approve any changes in form or substance to the Financial Assistance Agreement, such approval to be conclusively evidenced by its execution.

Sec. 8. Use of Proceeds. The accrued interest received at the time of the delivery of the Bonds, if any, and premium, if any, shall be deposited in the Sinking Fund, credited to the Bond and Interest Account, and used to pay interest on the Bonds. The remaining proceeds of the Bonds shall be used to refund the Notes by providing payment to the registered owners of the Notes, on the date of delivery of the Bonds or as soon as legally possible thereafter, in an amount sufficient to pay the principal and interest on the Notes on such redemption date. The Treasurer shall obtain either (i) a verification of an accountant as to the sufficiency of the funds necessary to accomplish said

refunding of the Notes or (ii) a certification from each holder of the Notes being redeemed of full payment of principal and interest on the Notes being redeemed. Costs of issuance of the Bonds not otherwise paid shall be paid from the remaining proceeds by the Treasurer. The cost of obtaining the legal services of Ice Miller shall be considered as a part of the cost of the refunding of the Notes on account of which the Bonds are issued. When all the costs of issuance of the Bonds have been paid, the Treasurer shall then transfer any amount then remaining from the proceeds of the Bonds to the Sinking Fund as herein provided.

With respect to any Bonds sold to the SRF Program, to the extent that the total principal amount of the Bonds is not paid by the purchaser or drawn down by the District, the District shall reduce the principal amounts of the Bond maturities to effect such reduction in a manner that will still achieve as level annual debt service as practicable as described in Section 1(b); provided, however, that if any series of Bonds sold to the SRF Program includes a balloon payment, all of the reduction shall first be applied to reducing the balloon payment.

Sec. 9. Revenues. All revenues derived from the operation of the sewage works and from the collection of sewer rates and charges shall be deposited in the Jennings Northwest Regional Utilities Wastewater System Revenue Fund ("Revenue Fund"), hereby continued. 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 sewage works shall be paid, the requirements of the Sinking Fund shall be met and the costs of extensions, improvements, replacements, and additions to the sewage works shall be paid.

Sec. 10. O & M Fund. The Wastewater System Operation and Maintenance Fund ("O & M Fund") is hereby continued. There shall be transferred from the Revenue Fund and credited to the O & M Fund on the last day of each calendar month, a sufficient amount of the revenues of the sewage works so that the balance maintained in the O & M Fund shall be sufficient to pay the expenses of operation, repair and maintenance for the then next succeeding two calendar months. The moneys credited to the O & M Fund shall be used for the payment of the reasonable and proper operation, repair and maintenance expenses of the sewage works on a day-to-day basis, but none of the moneys in such fund shall be used for depreciation, replacements, improvements, extensions or additions. Any balance in the O & M 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 of the sewage works.

Sec. 11. Sinking Fund. (a) There is hereby continued a sinking fund for the payment of the principal of and interest on revenue bonds which by their terms are payable from the Net Revenues of the sewage works, and the payment of any fiscal agency charges in connection with the payment of bonds and interest, which fund shall be designated the Jennings Northwest Regional Wastewater System Sinking Fund ("Sinking Fund"). There shall be set aside and deposited in the Sinking Fund, as available, and as provided below, a sufficient amount of the Net Revenues of the sewage works to meet the requirements of the Wastewater System Bond and Interest Account ("Bond and Interest Account") and of the Wastewater System Debt Service Reserve Account ("Reserve Account") hereby continued in the Sinking Fund. Such payments shall continue until the balance in the Bond and

Interest Account, plus the balance in the Reserve Account hereinafter described, equals the amount needed to redeem all of the then outstanding bonds of the sewage works to the final maturity thereof.

(b) Bond and Interest Account. There is hereby continued, within said Sinking Fund, the Bond and Interest Account. Except for the final year of maturity of any Bonds which is a balloon payment, there shall be credited on the last day of each calendar month from the Revenue Fund to the Bond and Interest Account an amount of the Net Revenues equal to at least one-twelfth ($1/12$) of the principal of and at least one-sixth ($1/6$) of the interest on all then outstanding bonds payable on the then next succeeding principal and interest payment dates until the amount so credited shall equal the principal payable during the next succeeding twelve (12) calendar months and the interest payable during the next succeeding six (6) calendar months. If the final maturity of any series of Bonds is a balloon payment, in the final year of maturity of such Bonds, the District shall deposit into the Bond and Interest Account any Net Revenues which are available for making such final principal payment. There shall similarly be credited to the account any amount necessary to pay the bank fiscal agency charges for paying interest on outstanding bonds as the same become payable. The District shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owner or to the bank fiscal agency sufficient moneys to pay the interest and principal on the due dates thereof together with the amount of bank fiscal agency charges.

(c) Reserve Account. There is hereby continued, within the Sinking Fund, the Reserve Account. On the date of delivery of the Bonds, funds on hand of the sewage works may be deposited into the Reserve Account. The initial balance or the balance accumulated in the Reserve Account shall equal but not exceed the maximum annual debt service on the 1997 Bonds, the Bonds, excluding the final maturity of the Bonds if the final maturity is a balloon payment, and any bonds

issued in the future by the District which are payable from the Net Revenues of the sewage works on a parity with any series of Bonds ("Parity Bonds") ("Reserve Requirement"). If the initial deposit into the Reserve Account does not cause the balance therein to equal the Reserve Requirement or if no deposit is made, the District shall deposit a sum of Net Revenues into the Reserve Account on the last day of each calendar month until the balance therein equals the Reserve Requirement. The monthly deposits shall be equal in amount and sufficient to accumulate the Reserve Requirement within five (5) years of the date of delivery of the Bonds.

After the 1997 Bonds are no longer outstanding, the District may fund all or part of the Reserve Account with a debt service reserve surety bond. The surety bond must be issued by an insurance company rated in the highest rating category by Standard & Poor's Corporation and Moody's Investors Service. If any series of Bonds are sold to the SRF Program, the District shall give notice to the State of Indiana before funding the Reserve Account with such a surety bond. The Reserve Account shall constitute a margin for safety and a protection against default in the payment of principal of and interest on the 1997 Bonds, the Bonds and any Parity Bonds, and the moneys in the Reserve Account shall be used to pay principal and interest on the 1997 Bonds, the Bonds and any Parity Bonds to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiency in the balance maintained in the Reserve Account shall be promptly made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. In the event moneys in the Reserve Account are transferred to the Bond and Interest Account to pay principal of and interest on the 1997 Bonds, the Bonds or any Parity Bonds, then such depletion of the balance in the Reserve Account shall be made up from the next available Net Revenues after 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 hereinafter defined Improvement Fund, but in no event shall such moneys be held in the Reserve Account.

Sec. 12. Improvement Fund. After meeting the requirements of the O & M Fund and the Sinking Fund, any excess revenues may be transferred or credited to the Jennings Northwest Regional Utilities Wastewater System Utility Improvement Fund ("Improvement Fund"), hereby continued, which Fund shall be used for improvements, replacements, additions and extensions of the sewage works. Moneys in the Improvement Fund shall be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal and interest on the then outstanding bonds or, if necessary, to eliminate any deficiencies in credits to or minimum balance in the Reserve Account of the Sinking Fund, or may be transferred to the O & M Fund to meet unforeseen contingencies in the operation and maintenance of the sewage works.

Sec. 13. Maintenance of Accounts. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the District. The O & M Fund and the Improvement Fund may be maintained in a single account, or accounts, but such account, or accounts, shall likewise be maintained separate and apart from all other accounts of the District and apart from the Sinking Fund account or accounts. All moneys deposited in the accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that moneys therein may be invested in obligations in accordance with the applicable laws, including particularly Indiana Code, Title 5, Article 13, as amended or supplemented, and Section 19 herein and in the event of such investment the income therefrom shall

become a part of the funds invested and shall be used only as provided in this ordinance. Nothing in this section or elsewhere in this ordinance shall be construed to require that separate bank accounts be established and maintained for the Funds and Accounts continued by this ordinance.

Sec. 14. Maintenance of Books and Records. 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 received on account of the operation of the sewage works and all disbursements made therefrom and all transactions relating to said sewage works. There shall be furnished, upon written request, to any owner of the Bonds, the most recent audit of the District's sewage works prepared by the State Board of Accounts or any successor thereto. Copies of all such statements and reports shall be kept on file in the office of the Secretary. Any owner of the Bonds then outstanding shall have the right at all reasonable times to inspect the sewage works and all records, accounts, statements, audits, reports and data of the District relating to the sewage works. Such inspections may be made by representatives duly authorized by written instrument. If the Bonds are subject to Rule 15c2-12 as promulgated by the Securities Exchange Commission ("Rule"), the President and Treasurer are hereby authorized to complete, execute and attest a Continuing Disclosure Undertaking Agreement in satisfaction of the Rule.

If any series of Bonds are sold to the SRF Program, the District shall establish and maintain the books and other financial records of the Treatment Works (as defined in the Financial Assistance Agreement) in accordance with (i) generally accepted governmental accounting standards for utilities, on an accrual basis, as promulgated by the Government Accounting Standards Board and (ii) the rules, regulations and guidance of the State Board of Accounts.

Sec. 15. Rate Covenant. 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 sewage works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the sewage works by or through any part of the sewage works of the District, or that in any way uses or is served by the sewage works, at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the District) to provide for the proper Operation and Maintenance (as defined in the Financial Assistance Agreement) of the sewage works, to comply with and satisfy all covenants contained in this ordinance and the Financial Assistance Agreement and to pay all obligations of the sewage works and of the District with respect to the sewage works but excluding the final maturity of the Bonds if the final maturity is a balloon payment. Such rates and charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of Operation and Maintenance of the sewage works and the requirements of the Sinking Fund and the Act. The rates and charges so established shall apply to any and all use of such works by and service rendered to the District, and shall be paid by the District as the charges accrue.

Sec. 16. Defeasance of Bonds. If, when any of the Bonds issued hereunder shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or any portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds or any portion thereof and coupons then outstanding shall be paid; or (i) sufficient moneys, or (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, the principal

of and the interest on which when due will provide sufficient moneys, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Bonds issued hereunder or any designated portion thereof shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the District's sewage works.

Sec. 17. Additional Bond Provisions. The District reserves the right to authorize and issue additional Parity Bonds, payable out of the Net Revenues of its sewage works, ranking on a parity with the most junior series of Bonds then outstanding, for the purpose of financing the cost of future additions, extensions and improvements to the sewage works, 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 sewage works shall have been paid in accordance with the terms thereof. The Reserve Requirement shall be satisfied for the additional Parity Bonds either at the time of delivery of the additional Parity Bonds or over a five year or shorter period, in a manner which is commensurate with the requirements of Section 11(c) of this ordinance.

(b) The Net Revenues of the sewage works in the fiscal year immediately preceding the issuance of any such Parity Bonds shall be not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of the then outstanding bonds, excluding the final maturity of the Bonds if such final maturity is a balloon payment, and the Parity Bonds; or, prior to the issuance of said Parity Bonds, the sewage rates and charges shall be increased sufficiently so that said increased rates and charges applied to the previous fiscal year's operations would have produced Net Revenues for said period equal to not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of all then outstanding bonds,

excluding the final maturity of the Bonds if such final maturity is a balloon payment, and the additional Parity Bonds proposed to be issued. For purposes of this subsection, the records of the sewage works shall be analyzed and all showings shall be prepared by a certified public accountant employed by the District for that purpose.

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

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

Sec. 18. Further Covenants. For the purpose of further safeguarding the interests of the holders of the Bonds, it is specifically provided as follows:

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

(b) So long as any of the Bonds herein authorized are outstanding, the District shall acquire and maintain insurance coverage, including fidelity bonds, to protect the sewage works and its operations which, if any series of Bonds are sold to the SRF Program, is acceptable to the State of Indiana. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana. Insurance proceeds and condemnation awards shall be used to

replace or repair the sewage works unless, if any series of Bonds are sold to the SRF Program, the State of Indiana consents to a different use of such proceeds or awards.

(c) So long as any of the Bonds are outstanding, the District shall not mortgage, pledge or otherwise encumber the property and plant of its sewage works system, or any part thereof, nor shall it sell, lease or otherwise dispose of any part of the same except equipment or property which may become worn out, obsolete, or no longer suitable for use in the sewage works, without the prior written consent of the State of Indiana if any series of Bonds are sold to the SRF Program.

(d) The District shall not borrow any money, enter any contract or agreement or incur any other liabilities in connection with the sewage works, other than for normal operating expenditures, without, if any series of Bonds are sold to the SRF Program, the prior written consent of the State of Indiana if such undertaking would involve, commit or use the revenues of the sewage works.

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

(f) 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 said Bonds, this ordinance shall not be repealed or amended in any respect which will adversely affect the rights of the owners of said Bonds nor shall the Board of Trustees adopt any law, ordinance or resolution which in any way adversely affects the rights of such owners so long as any of said Bonds or the interest thereon remain unpaid. Except for the changes set forth in Section 21(a)-(g), this ordinance may be amended, however, without the consent of Bond owners, if the Board of Trustees determines,

in its sole discretion, that such amendment would not adversely affect the owners of the Bonds; provided, however, that if any series of Bonds are sold to the SRF Program, the District shall obtain the prior written consent of the State of Indiana.

(g) 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 said governing Act. The provisions of this ordinance shall also be construed to create a trust in the portion of the Net Revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of said fund as in this ordinance set forth. The owners of said Bonds shall have all of the rights, remedies and privileges set forth in the provisions of the governing Act, including the right to have a receiver appointed to administer said sewage works in the event the District shall fail or refuse to fix and collect sufficient rates and charges for those purposes, or shall fail or refuse to operate and maintain said system and to apply properly the revenues derive from the operation thereof, or if there be a default in the payment of the interest on or principal of the Bonds.

Sec. 19. Investment of Funds. (a) The Treasurer is hereby authorized to invest moneys pursuant to IC 5-1-14-3 and the provisions of this ordinance (subject to applicable requirements of federal law to insure such yield is the then current market rate) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the Bonds 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 continued or referenced herein. To comply with the provisions of the ordinance, the Treasurer is hereby authorized and directed to employ competent

consultants or attorneys from time to time to advise the District as to requirements of federal law to preserve the tax exclusion. The Treasurer may pay any fees as operation expenses of the sewage works.

Sec. 20. Tax Covenants. To preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as existing on the date of issuance of the Bonds, as the case may be ("Code") and as an inducement to purchasers of the Bonds, the District represents, covenants and agrees that:

(a) The sewage works will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. No person or entity other than the District or another state or local governmental unit will use more than 10% of the proceeds of the Bonds or 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, service or incentive payment contract, an arrangement including take-or-pay or other type of output contracts or any other type of arrangement that conveys other special legal entitlements and differentiates that person's or entity's use of such property from use by the general public, unless such uses in the aggregate relate to no more than 10% of the proceeds of the Bonds, as the case may be. If the District enters into a management contract for all or a portion of the sewage works, the terms of the contract will comply with the Regulations and IRS Revenue Procedure 97-13, as amended, supplemented or superseded from time to time, so that the contract will not give rise to private business use under the Code and the Regulations unless such use in the aggregate will not relate to more than 10% of the proceeds of the Bonds.

(b) No more than 10% 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 private business use or payments in respect of such property, or to be derived from payments (whether or not to the District) in respect of such property or borrowed money used or to be used for a private business use.

(c) No more than 5% of the Bond proceeds will be loaned to any person or entity other than another state or local governmental unit. No more than 5% of the 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.

(d) The District reasonably expects, as of the date hereof, that the Bonds will not meet either the private business use test described in paragraphs (a) and (b) above or the private loan test described in paragraph (c) above during the entire term of the Bonds.

(e) No more than 5% of the proceeds of the Bonds will be attributable to private business use as described in (a) and private security or payments described in (b) attributable to unrelated or disproportionate private business use. For this purpose, the private business use test is applied by taking into account only use that is not related to any government use of proceeds of the issues (Unrelated Use) and use that is related but disproportionate to any governmental use of those proceeds (Disproportionate Use).

(f) The District will not take any action nor fail to take any action with respect to the Bonds that would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Bonds pursuant to Section 103 of the Code, nor will the District act in any other manner which would adversely affect such exclusion, and it will not make any investment or do any

other act or thing during the period that the Bonds are outstanding which would cause the Bonds to be private activity bonds under the meaning of Section 141 of the Code.

(g) 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.

(h) The District represents that it will rebate any arbitrage profits to the United States of America in accordance with the Code.

(i) The District represents that:

- (1) The Bonds are not private activity bonds as defined in Section 141 of the Code;
- (2) The District hereby designates the Bonds as qualified tax-exempt obligations for purposes of Section 265(b) of the Code;
- (3) The reasonably anticipated amount of qualified tax-exempt obligations (including qualified 501(c)(3) obligations and tax-exempt leases but excluding other private activity bonds) which will be issued by the District and all entities subordinate to the District during 2002 or 2003 does not exceed \$10,000,000;
- (4) The District has not and will not designate more than \$10,000,000 of qualified tax-exempt obligations during 2002 or 2003.

Therefore, the Bonds qualify for the exception in the Code from the disallowance of 100% of the deduction by financial institutions of interest expense allocable to newly acquired tax-exempt obligations.

(j) These covenants are based solely on current law in effect and in existence on the date of delivery of the Bonds.

Sec. 21. Amendments with Consent of Bondholders. Subject to the terms and provisions contained in this Section and Section 18(f), the owners of not less than sixty-six and two-thirds percent ($66 \frac{2}{3}\%$) in aggregate principal amount of the Bonds issued pursuant to this ordinance and then outstanding shall have the right, from time to time, 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 any of the terms or provisions contained in this ordinance, or in any supplemental ordinance; provided, however, if any series of Bonds are sold to the SRF Program, the District shall obtain the prior written consent of the State of Indiana; and provided, further, that nothing herein contained shall permit or be construed as permitting:

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

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

(c) The creation of a lien upon or a pledge of the revenues of the sewage works ranking prior to the most junior pledge thereof designated by the Secretary pursuant to Section 1(c) for any series of Bonds issued pursuant to this ordinance; or

(d) A preference or priority of any Bond or Bonds issued pursuant to this ordinance over any other Bond or Bonds of the same series 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 Reserve Requirement; or

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

If the owners of not less than sixty-six and two-thirds percent ($66 \frac{2}{3}\%$) 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 Secretary 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 contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the District or its officers from adopting the same, or from taking any action pursuant to the provisions thereof. Upon the adoption of any supplemental 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.

Sec. 22. Tax Exemption. Notwithstanding any other provisions of this ordinance, the covenants and authorizations contained in this ordinance ("Tax Sections") which are designed to preserve the exclusion of interest on the Bonds from gross income under federal law ("Tax Exemption") need not be complied with if the District receives an opinion of nationally recognized bond counsel that any Tax Section or portion thereof is unnecessary to preserve the Tax Exemption.

Sec. 23. Covenants Regarding Payment of Final Maturity. The District acknowledges that the final maturity of one or more series of Bonds may constitute a balloon payment. In such case, to the extent that said final maturity payment cannot otherwise be paid in a timely manner from revenues of the sewage works, the District covenants as follows:

(a) The Board hereby authorizes the issuance of refunding bonds of the District for the purpose of paying the final maturity of the Bonds. The refunding bonds shall be sold in accordance with the Act and IC 5-1-5, to the Indiana Bond Bank or any other purchaser. The Board hereby authorizes making an application to the Indiana Bond Bank in connection with the issuance of such refunding bonds; provided, however, the District shall not be required to sell its refunding bonds to the Indiana Bond Bank if the District has made arrangements satisfactory to the State of Indiana (if the SRF Program is the owner of the Bonds) to otherwise sell its refunding bonds. Subject to any modification hereafter authorized by the District's Board to enhance the marketability of the refunding bonds, the District officers are hereby authorized to issue the refunding bonds without any further authorization or action from the District's Board. Such refunding bonds shall be issued in an aggregate principal amount that is sufficient to pay the final maturity of the Bonds and the costs incurred in connection with the issuance of such refunding bonds; with principal payable annually on September 1 of each year following the final maturity of the Bonds and with a final payment no later

than the 30 years after the issuance of the Bonds; with interest at a per annum rate or rates then prevailing in the market for bonds like the refunding bonds; and in the form and with a manner of payment otherwise herein provided for the Bonds. The Board further authorizes the officers of the District to take all necessary actions to effectuate the issuance of such refunding bonds.

(b) No later than 120 days before the final maturity date of the Bonds, the District shall have taken all necessary actions to authorize the issuance of the refunding bonds.

(c) No later than 120 days before the final maturity date of the Bonds, the District shall file a report with the State of Indiana, if the SRF Program is the owner of the Bonds, setting forth the District's plan for paying the final maturity of the Bonds, including copies of all relevant proceedings and actions taken by the Board

Sec. 24. Conflicting Ordinances. All ordinances and parts of ordinances in conflict herewith are hereby repealed; provided, however, that this ordinance shall not be construed as modifying, amending or repealing the ordinance authorizing the 1997 Bonds or as adversely affecting the rights of the holders of the aforementioned outstanding 1997 Bonds and Notes.

Sec. 25. Effective Date. This ordinance shall be in full force and effect from and after its passage.

Passed and adopted by the Board of Trustees of Jennings Northwest Regional Utilities on the
15th day of August, 2002.

BOARD OF TRUSTEES

Edwin Whitaker

William C. Collins

David A. Brinkman

Thomas H. Tomlinson

Karl E. Smith

Attest:

Mary K. G.
Secretary

INDY 1029163v3