
ORDINANCE NUMBER 18-3

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUE OF NOT TO EXCEED \$110,000,000 WATER REVENUE BONDS, JUNIOR LIEN (IEPA), AND GENERAL OBLIGATION WATER BONDS (ALTERNATE REVENUE SOURCE) OF THE MORTON GROVE-NILES WATER COMMISSION, COOK COUNTY, ILLINOIS, FOR THE PURPOSE OF PAYING THE COSTS OF CONSTRUCTING A NEW WATERWORKS SYSTEM OF SAID COMMISSION TO SUPPLY WATER TO THE VILLAGES OF MORTON GROVE AND NILES AND RELATED IMPROVEMENTS, PRESCRIBING ALL THE DETAILS OF SAID BONDS, PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF THE SYSTEM OF SAID COMMISSION, PROVIDING FOR THE LEVY AND COLLECTION OF A DIRECT ANNUAL TAX SUFFICIENT TO PAY THE PRINCIPAL AND INTEREST ON SAID GENERAL OBLIGATION WATER BONDS (ALTERNATE REVENUE SOURCE) AND AUTHORIZING THE SALE OF SAID BONDS TO THE PURCHASERS THEREOF.

Adopted: January 25, 2018

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and is not a part of the ordinance.)

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PREAMBLES

WHEREAS

A. The Morton Grove–Niles Water Commission, Cook County, Illinois (the “*Commission*”), is an Illinois public corporation and unit of local government, duly organized under the provisions of Division 135 of Article 11 of the Illinois Municipal Code, as amended (the “*Act*”), having the powers and authority set forth in the Act and the Local Government Debt Reform Act of the State of Illinois, as amended (the “*Debt Reform Act*”; the Act and the Debt Reform Act being referred to herein collectively as the “*Enabling Law*”).

B. The Commission has as its members the following municipalities: the Village of Morton Grove, Illinois, and the Village of Niles, Illinois (together, the “*Members*”).

C. Pursuant to the provisions of the Act, the Commission is authorized to acquire either by purchase or construction a waterworks system or a common source of supply of water, or both, for the Members and other customers, and may further from time to time issue its revenue

bonds in such principal amounts as the Commission shall deem necessary to provide sufficient funds to carry out any of its corporate purposes and powers, including, without limitation, developing, acquiring, constructing, extending or improving a waterworks system or common source of supply of water, or any combination thereof, the payment of engineering, legal and other expenses, together with capitalized interest, the establishment or increase of reserves to secure or to pay such bonds and interest thereon, the providing of working capital and the payment of all other costs or expenses of the Commission incident to and necessary or convenient to carry out its corporate purposes and powers.

D. The Commission has heretofore acquired a common source of supply of water from Lake Michigan by purchasing water from the City of Evanston, Illinois, that is transmitted through the Village of Skokie, Illinois, and storing as necessary and transporting such water to the Members.

E. The Board of Commissioners of the Commission (the "*Board*") has determined that it is advisable, necessary and in the best interests of public health, safety and welfare to pay the costs of establishing, acquiring, constructing and operating a common source of supply of water and related waterworks system (the "*System*") for the purpose of the delivery of potable drinkable water to the Members' residents, business owners, property owners, and governmental and institutional properties (the "*Project*"), all in accordance with the preliminary plans and estimates of cost therefor prepared by consulting engineers and Commission staff, which have been approved by the Board and are now on file in the office of the Clerk of the Commission (the "*Clerk*") for public inspection.

F. The estimated costs of the Project, as defined, including capitalized interest and contingencies for unforeseen costs, are not greater than \$110,000,000.

G. There are insufficient funds on hand and lawfully available to pay costs of the Project, and such costs are expected to be defrayed by cash on hand or expected to be on hand and lawfully available for the purpose, interest earnings and not to exceed \$110,000,000 proceeds of bonds payable from the revenues of the System to be issued pursuant to the Enabling Law, such bonds being Alternate Bonds and/or IEPA Bonds, both as defined in this Ordinance.

H. The Commission has no outstanding bonds or other obligations which are currently payable from the revenues of the System.

I. The Commission is now authorized to issue up to \$110,000,000 of bonds payable from the net revenues derived from the operation of the System pursuant to the Act or, in lieu thereof, up to \$110,000,000 alternate bonds, being general obligation bonds payable from the net revenues of the System, as authorized to be issued at this time pursuant to the Debt Reform Act.

J. On the 31st day of August, 2017, the Board adopted an ordinance (the "*Authorizing Ordinance*") authorizing the issuance of General Obligation Water Bonds (Alternate Revenue Source) (the "*Authorized Alternate Bonds*"), in lieu of the Revenue Bonds, as provided in the Debt Reform Act in an amount not to exceed \$110,000,000.

K. On the 6th day of September 2017, the Authorizing Ordinance, together with a notice of intent to issue the Authorized Alternate Bonds, was published in the *Niles Journal*, a paper of general circulation within the Commission, and an affidavit evidencing the publication of the Authorizing Ordinance and related notice of intent have heretofore been presented to the Board and made a part of the permanent records of the Commission.

L. More than thirty (30) days have expired since the date of publication of the Authorizing Ordinance and related notice, and no petitions with the requisite number of valid signatures thereon have been filed with the Clerk requesting that the question of the issuance of the Authorized Alternate Bonds be submitted to referendum.

M. The Board has been authorized to issue the Authorized Alternate Bonds to the amount of \$110,000,000 in accordance with the provisions of the Enabling Law, and the Board hereby determines that it is necessary and advisable that there be issued at this time not to exceed \$110,000,000 of the Authorized Alternate Bonds so authorized.

N. The Authorized Alternate Bonds to be issued will be payable from the Pledged Revenues and the Pledged Taxes, both as defined in this Ordinance.

O. The Board has and does hereby determine that the Pledged Revenues will be sufficient to provide or pay in each year to final maturity of the Authorized Alternate Bonds all of the following (1) Operation and Maintenance Costs as defined in this Ordinance, but not including depreciation; (2) other contractual or tort liability obligations, if any, payable from the Revenues as defined in this Ordinance; and (3) in each year, an amount not less than 1.25 times debt service of the Authorized Alternate Bonds now proposed to be issued.

P. Such determination of the sufficiency of the Pledged Revenues is supported by reference to a report of Stanley P. Stone & Associates, Inc., New York, New York (the "*Feasibility Report*"), which is a feasibility analyst having a national reputation for expertise in such matters; and which report is based in part on the results of the most recent audits of the Members.

Q. The Feasibility Report has been presented to and approved by the Board and is now on file with the Clerk.

R. Prior to adoption of this Ordinance, the Board duly called, noticed, held, and duly adjourned more than seven days past a hearing concerning the intent of the Board to sell the Authorized Alternate Bonds pursuant to the Bond Issue Notification Act, as amended.

S. The State of Illinois (the "*State*"), acting through the Illinois Environmental Protection Agency ("*IEPA*"), may make one or more loans, pursuant to the IEPA form Loan

Agreement (the “*Loan Agreements*”) to the Commission, to be evidenced by all or a portion of such revenue bonds, through the “Public Water Supply Program” of the State (the “*Loan Program*”), for the purpose of paying certain eligible costs of the Project, and it is necessary and advisable to authorize the acceptance of said loans and execution of appropriate loan documents.

T. The revenue bonds to be issued to the IEPA pursuant to the Loan Agreements and this Ordinance (the “*Authorized IEPA Bonds*”) shall be subordinate in lien to any Senior Bonds (as herein defined), the Authorized Alternate Bonds and any Additional Alternate Bonds (as herein defined).

U. It is hereby determined that it is in the best interests of the Commission that the Authorized IEPA Bonds be authorized to be issued in an amount not to exceed \$110,000,000 at this time, for the purpose of paying the costs of the Project.

NOW THEREFORE Be It Ordained by the Morton Grove–Niles Water Commission, Cook County, Illinois, by its Board of Commissioners as follows:

Section 1. Definitions. Words and terms used in this Ordinance shall have the meanings given them, unless the context or use clearly indicates another or different meaning is intended. Words and terms defined in the singular may be used in the plural and vice-versa. Reference to any gender shall be deemed to include the other and also inanimate persons such as corporations, where applicable.

A. The following words and terms are as defined in the preambles hereto.

Act	Debt Reform Act	Loan Program
Authorized Alternate Bonds	Enabling Law	Members
Authorized IEPA Bonds	Feasibility Report	Project
Authorizing Ordinance	IEPA	State
Clerk	Loan Agreements	System
Commission		

B. The following words and terms are defined as set forth.

“Alternate Bonds” means the Bonds, if any, issued as alternate bonds pursuant to the Enabling Law and payable from the Alternate Bond and Interest Account of the Water Fund.

“Additional Bonds” means Parity Bonds and Future Alternate Bonds.

“Bond Fund” means the General Obligation Water Bonds (Alternate Revenue Source), Series 2018, Alternate Bond Fund, established hereunder and further described by Section 23 of this Ordinance.

“Bond Moneys” means all moneys on deposit from time to time in the Bond Fund including investment income earned in the Bond Fund.

“Bond Register” means the books of the Commission kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

“Bond Registrar” means, with respect to the Alternate Bonds, Amalgamated Bank of Chicago, with corporate trust offices currently located in Chicago, Illinois, in its capacity as bond registrar and paying agent hereunder, or successor thereto, and with respect to the IEPA Bonds, the Treasurer.

“Bond Year” for a series of bonds means a twelve-month period beginning the day after principal of Outstanding Bonds of a series is annually to become due (such day of the year being

the *initial date*) and ending on the day preceding the next initial date; e.g., for bonds with principal due on December 1 of various years, the Bond Year would be December 2 of a given year through December 1 of the next year.

“*Bonds*” means, collectively, the IEPA Bonds and the Alternate Bonds, authorized to be issued by this Ordinance.

“*Chairman*” means the Chairman of the Commission.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*County Clerk*” means the County Clerk of The County of Cook, Illinois.

“*Current Debt Service Requirement*” means, for any Fiscal Year, the sum of the amounts as follows: (a) interest on Outstanding Bonds to be provided from Revenues in such year, and (b) principal of Outstanding Bonds to be provided from Revenues in such year; *provided, however,* that the phrase “to be provided from Revenues” excludes all obligations payable but (i) already provided for by the setting aside of funds (such as capitalized interest from bond proceeds) for the purpose or (ii) declared by ordinance of the Commission to be provided for from other sources, such as refunding bonds, and not in default.

“*Defeasance Obligations*” means obligations which are non-callable or otherwise subject to prepayment or acceleration and which are lawful investments for the Commission when purchased and limited to obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America.

“*Fiscal Year*” means the calendar year or such other twelve-month period as the Commission may adopt from time to time as its fiscal year.

“Future Alternate Bonds” means any alternate bonds issued in the future in accordance with the provisions of the Act and the Debt Reform Act on a parity with and sharing ratably and equally in the Pledged Revenues with the Bonds.

“Future Alternate Bonds Ordinance” means an ordinance of the Commission authorizing a series of Future Alternate Bonds.

“Future Revenue Bonds Ordinance” means an ordinance of the Commission authorizing a series of Senior Bonds or Junior Bonds.

“IEPA Bonds” means the Bonds, if any, issued to the IEPA pursuant to the Loan Agreements pursuant to the Enabling Law and payable from the Junior Bond and Interest Account of the Water Fund.

“Junior Bonds” means bonds issued after the issuance of the Bonds and having such further covenants, including account covenants with respect to same as shall be provided in such Future Revenue Bond Ordinances as may be adopted by the Board, payable from the Junior Bond and Interest Account established by this Ordinance and, for purposes of computing the Current Debt Service Requirement on Junior Bonds.

“Junior Bonds Ordinance” means an ordinance of the Commission authorizing a series of Junior Bonds.

“Maximum Annual Debt Service” means an amount of money equal to the highest future principal and interest requirement of all Outstanding Bonds required to be deposited into the Senior Bond and Interest Account and Junior Bond and Interest Account, as applicable, in any Fiscal Year, including and subsequent to the Fiscal Year in which the computation is made; *provided, however,* that any Outstanding Bonds required to be redeemed pursuant to mandatory redemption from said Senior Bond and Interest Account and Junior Bond and Interest Account, as applicable, shall be treated as falling due on the date required to be redeemed (except in the

case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Bonds; and, *provided, further*, that interest shall be calculated as described in the definition of Current Debt Service Requirement.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“Net Revenues” means Revenues minus Operation and Maintenance Costs.

“Operation and Maintenance Costs” means all costs of operating, maintaining and routine repair of the System, including wages, salaries, administrative costs of the Commission and other charges, such as overhead, properly payable to the general fund, costs of materials and supplies, taxes, fuel, insurance, purchase of water (including all payments by the Commission pursuant to long-term contracts for such services to the extent provided in such contracts); but excluding debt service, depreciation, or any reserve requirements; and otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

“Outstanding” when used with reference to the Bonds and Additional Bonds means such of those bonds that are outstanding and unpaid; *provided, however*, such term shall not include Bonds or Additional Bonds (i) which have matured and for which moneys are on deposit with proper paying agents, or are otherwise properly available, sufficient to pay all principal thereof and interest thereon, or (ii) the provision for payment of which has been made by the Commission by the deposit in an irrevocable trust or escrow of funds, which may be invested in Defeasance Obligations, the principal of and interest on which will be sufficient, with any funds left uninvested, to pay at maturity or as called for redemption all the principal of and interest on such Bonds or Additional Bonds.

“Parity Bonds” means bonds or any other obligation to be issued subsequent in time to the Bonds and which are payable from the Senior Bond and Interest Account for Senior Bonds and the Junior Bond and Interest Account for Junior Bonds.

“Pledged Moneys” means, collectively, the Pledged Revenues and the Pledged Taxes.

“Pledged Revenues” means the moneys deposited to the credit of the Alternate Bond and Interest Account, consisting of the funds remaining in the Water Fund after the required monthly credit to the Operation and Maintenance Account, Senior Bond and Interest Account, and Senior Bond Reserve Account.

“Pledged Taxes” means the ad valorem taxes levied against all of the taxable property in the Commission without limitation as to rate or amount, pledged hereunder by the Commission as security for the Alternate Bonds.

“Qualified Investments” means such investments as are lawful for the Commission at the time of purchase.

“Qualified Reserve Account Instrument” means a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated “Aa” or better by Moody’s or “AA” or better by Standard & Poor’s as of the date of issuance thereof; *provided, however*, that any such letter of credit, surety bond or insurance policy shall be issued in the name of a paying agent or other depository and shall contain no restrictions on the ability of the paying agent or other depository to receive payments thereunder other than a certification of the paying agent or other depository that the funds drawn thereunder are to be used for purposes for which moneys in the Senior Bond Reserve Account or Junior Bond Reserve Account may be used.

“Revenues” means all income from whatever source derived from the System, including (i) investment income; (ii) connection, permit and inspection fees and the like; (iii) penalties and delinquency charges; (iv) capital development, reimbursement, or recovery charges and the like; (v) annexation or pre-annexation charges insofar as designated by the Board as paid for System connection or service; but excluding expressly (a) non-recurring income from the sale of

property of the System; (b) governmental or other grants; (c) advances or grants made from the Commission; (d) taxes or fees in the nature of franchise taxes or fees or utility taxes or fees assessed by the Commission against the System in the same or a like manner as the Commission would be permitted to assess under Illinois law were the System owned and operated by a private utility company and (e) as otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

“*Senior Bonds*” means bonds issued after the issuance of the Bonds and having such further covenants, including account covenants with respect to same as shall be provided in such Future Revenue Bond Ordinances as may be adopted by the Board, payable from the Senior Bond and Interest Account established by this Ordinance and, for purposes of computing the Current Debt Service Requirement on Junior Bonds.

“*Senior Bonds Ordinance*” means an ordinance of the Commission authorizing a series of Senior Bonds.

“*Series*” means, when appearing as a capitalized term, any one of the series of Bonds authorized by this Ordinance.

“*S&P*” means S&P Global Ratings and its successors and assigns.

“*Superintendent*” means the Superintendent of the Commission or like official, such as general manager.

“*System*” refers to all property, real, personal or otherwise owned or to be owned by the Commission or under the control of the Commission, and used for water supply purposes, and any and all further extensions, improvements and additions to the System.

“*Tax-exempt*” means, with respect to the Bonds, the status of interest paid and received thereon as excludible from the gross income of the owners thereof under the Code for federal income tax purposes.

“*Term Bonds*” means Bonds subject to mandatory redemption by operation of the applicable bond and interest account and designated as term bonds herein.

“*Treasurer*” means the Treasurer of the Commission.

“*Water Fund*” means the Water Fund of the Commission established by this Ordinance.

C. Definitions also appear in the preambles hereto or in specific sections, as appear below. The table of contents preceding and headings in this Ordinance are for the convenience of the reader and are not a part of this Ordinance.

Section 2. Incorporation of Preambles, Authority. The Board hereby finds that the recitals contained in the preambles to this Ordinance are full, true and correct and does incorporate them into this Ordinance by this reference. The authority to issue the Bonds is the Enabling Law.

Section 3. Provide Project; Issue Bonds. It is necessary and in the best interests of the Commission to provide for the Project for the public health, safety and welfare, in accordance with the plans therefor, as described. For the purpose of providing a part of the costs of the Project, the Bonds are herein provided for and there shall be issued and sold either Alternate Bonds and/or IEPA Bonds in one or more Series in the aggregate principal amount of not to exceed \$110,000,000.

After the issuance of the Bonds, any series of Additional Bonds (as hereinafter defined) shall be created by a Future Revenue Bond Ordinance or Future Alternate Bond Ordinance (as each is hereinafter defined), establishing the terms and provisions of such series of Additional Bonds and the form of the Additional Bonds of such series. The several series of Additional Bonds may differ from the Bonds created herein and as between series in any respect not in conflict with the provisions of this Ordinance and as may be prescribed in the Future Revenue Bond Ordinance or Future Alternate Bond Ordinance creating such series.

Section 4. Useful Life. The Board does hereby determine the period of usefulness of the System to be at least 30 years from the date of the completion of the Project.

Section 5. Alternate Bond Details. Each Series of Alternate Bonds shall be designated “General Obligation Water Bond (Alternate Revenue Source), Series 2018__” or such other series designation as set forth in the Alternate Bond Notification (as hereinafter defined). The Alternate Bonds, if and when issued, shall be issued in one or more Series in an amount not to exceed \$110,000,000, shall be dated such date (not prior to February 1, 2018, and not later than December 31, 2018) as set forth in the Bond Notification, and shall also bear the date of authentication, shall be in fully registered form, shall be in denominations of \$5,000 each or authorized integral multiples thereof (but no single Alternate Bond shall represent installments of principal maturing on more than one date), and shall be numbered 1 and upward. The Alternate Bonds shall become due and payable serially or be subject to mandatory redemption (subject to prior redemption as hereinafter described) on December 1 of each of the years (not later than 2052), in the amounts (not exceeding \$5,000,000 per year) and bearing interest at the rates per annum (not exceeding 5.50% per annum) as set forth in the Bond Notification. The Alternate Bonds shall bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of the Alternate Bonds is paid, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable semi-annually commencing with the first interest payment date as set forth in the Bond Notification, and on June 1 and December 1 of each year thereafter to maturity.

Interest on each Alternate Bond shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, to the person in whose name such Alternate Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of the Alternate Bonds shall be

payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

Section 6. IEPA Bond Details. Each Series of IEPA Bonds shall be designated “Water Revenue Bond, Junior Lien (IEPA), [First Second, Third, Etc.] Series 2018” or with such other series designation, as set forth in the IEPA Bond Notification (as hereinafter defined). The amount of any such Series of IEPA Bonds, if and when issued, shall be sufficient to provide for a single loan from the IEPA for the Project pursuant to a Loan Agreement for such portion of the Project, and which Series shall not exceed the balance of the IEPA Bonds herein authorized.

The further details of the IEPA Bonds shall be as follows: There shall be issued a single IEPA Bond for each series payable to the IEPA or registered assigns as provided therein. The maximum principal face amount (the “*Face Amount*”) of each IEPA Bond shall be shown on the face of the IEPA Bond, but only so much of the Face Amount as is shown as advanced by the IEPA and received for value (the “*Outstanding Principal Amount*” as subject to reduction as hereinbelow provided), as evidenced by the IEPA Bond, shall be payable. Such advances shall be in integral multiples of \$100. Each IEPA Bond shall be dated as of its date of authentication. The Outstanding Principal Amount of any IEPA Bond from time to time outstanding shall bear interest at the rate of not to exceed 3.00% per annum as set forth in the Loan Agreement. The Outstanding Principal Amount of each IEPA Bond shall become due and payable pursuant to a schedule of repayment (the “*Repayment Schedule*”) determined as set forth in the pertinent Loan Agreement; *provided, however,* that the Repayment Schedule, in order to be enforceable, shall comply with each of the following terms:

- (1) The Repayment Schedule shall be set forth in or as part of the IEPA Bond;
- (2) The Repayment Schedule shall provide for substantially level semiannual installments of principal and interest (collectively) within a range of \$50; and

(3) The Repayment Schedule shall provide for complete repayment of each Bond in not less than 30 years from its Dated Date as provided in the Loan Agreement approved for such Bond (such complete repayment is expected to be approximately 20 (twenty) years from the date of operation of the portion of the Project for which each series is issued).

The Outstanding Principal Amount at any time shall be made up of (a) advances less the sum of (b)(i) installment payments and (ii) redemptions and prepayments. Each IEPA Bond shall bear interest on the Outstanding Principal Amount from time to time at the rate provided for such IEPA Bond, in each case from the time advanced until paid or duly provided for, such interest computed on the basis of a 365-day or 366-day year, as applicable, and being payable on the dates provided in the Repayment Schedule. The interest on and all installments of principal of each IEPA Bond shall be payable in lawful money of the United States of America upon presentation at the office of the Bond Registrar; *provided, however*, that so long as any agency of the State or of the U.S. Government or a financial institution is the registered owner as shown by the Bond Register, then such payments shall be made by check or draft of the Bond Registrar to the registered owner, which check or draft shall be payable in lawful money of the United States of America, and mailed not less than four business days prior to the date when due to the address of the Registered Owner as set forth in the Bond Register, or at such other address as is furnished in writing to the Bond Registrar; and, *provided, further*, that the final installment of principal and interest, when due, shall only be payable upon presentation of an IEPA Bond.

Section 7. Execution of Bonds. The Bonds shall be signed by the Chairman and attested by the Clerk, and in case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

All Bonds shall have thereon a certificate of authentication substantially in the respective form hereinafter set forth duly executed by the Bond Registrar as authenticating agent of the

Commission and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The certificate of authentication on any Bond shall be deemed to have been executed by the Bond Registrar if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

Section 8. Registration of Bonds; Persons Treated as Owners.

(a) *General.* The Commission shall cause the Bond Register for the registration and for the transfer of the Bonds as provided in this Ordinance to be kept at the applicable office of the Bond Registrar (the same being the principal corporate trust office for the Alternate Bonds and the office of the Treasurer for the IEPA Bonds, which is hereby constituted and appointed the registrar of the Commission. The Commission is authorized to prepare, and the Bond Registrar shall keep custody of, multiple Bond blanks executed by the Commission for use in the transfer and exchange of Bonds.

Upon surrender for transfer of any Bond at the applicable office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by, the registered owner or his attorney duly authorized in writing, the Commission shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same Series and maturity of authorized denominations, for a like aggregate principal amount. Any fully registered Bond or Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of Bond or Bonds of the same Series and maturity

of other authorized denominations. The execution by the Commission of any fully registered Bond shall constitute full and due authorization of such Bond and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, *provided, however*, the principal amount of outstanding Bonds of each Series and maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less previous retirements.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 15th day of the month next preceding any interest payment date on such Bond and ending at the opening of business on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the Commission or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

(b) *Global Book-Entry System.* The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds determined as

described in Section 3 hereof. Upon initial issuance, if requested by the purchaser of the Bonds, the ownership of each such Bond shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto ("*Cede*"), as nominee of The Depository Trust Company, New York, New York, and its successors and assigns ("*DTC*"). All of the outstanding Bonds shall be registered in the Bond Register in the name of Cede, as nominee of DTC, except as hereinafter provided. Any officer of the Commission who is a signatory on the Bonds is authorized to execute and deliver, on behalf of the Commission, such letters to or agreements with DTC as shall be necessary to effectuate such book-entry system (any such letter or agreement being referred to herein as the "*Representation Letter*"), which Representation Letter may provide for the payment of principal of or interest on the Bonds by wire transfer.

With respect to Bonds registered in the Bond Register in the name of Cede, as nominee of DTC, the Commission and the Bond Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a "*DTC Participant*") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Commission and the Bond Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any amount with respect to the principal of or interest on the Bonds. The Commission and the Bond Registrar may treat and consider the person in whose name each

Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective registered owners of the Bonds, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Commission's obligations with respect to payment of the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of a Bond as shown in the Bond Register, shall receive a Bond evidencing the obligation of the Commission to make payments of principal and interest with respect to any Bond. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions in Section 5 hereof with respect to the payment of interest to the registered owners of Alternate Bonds at the close of business on the 15th day of the month next preceding the applicable interest payment date, the name "Cede" in this Ordinance shall refer to such new nominee of DTC.

In the event that (i) the Commission determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (ii) the agreement among the Commission, the Bond Registrar and DTC evidenced by the Representation Letter shall be terminated for any reason or (iii) the Commission determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Commission shall notify DTC and DTC Participants of the availability through DTC of certificated Bonds and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede, as nominee of DTC. At that time, the Commission may determine that the Bonds shall be

registered in the name of and deposited with such other depository operating a universal book-entry system, as may be acceptable to the Commission, or such depository's agent or designee, and if the Commission does not select such alternate universal book-entry system, then the Bonds may be registered in whatever name or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 8(a) hereof.

Notwithstanding any other provisions of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the name provided in the Representation Letter.

Section 9. Redemption.

(a) *Optional Redemption.* The Bonds due on and after the date, if any, specified in the Bond Notification shall be subject to redemption prior to maturity at the option of the Commission from any available funds, as a whole or in part, and if in part in integral multiples of \$5,000 in any order of their maturity as determined by the Commission (less than all of the Bonds of a single maturity to be selected by the Bond Registrar), on the date specified in the Bond Notification (but not later than 10-1/2 years after the issuance of the respective Series of the Bonds), and on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Each Series of Bonds may have different optional redemption provisions within the parameters of this Section.

(b) *Mandatory Redemption.* The Alternate Bonds maturing on the date or dates, if any, indicated in the Bond Notification shall be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date on December 1 of the years, if any, and in the principal amounts, if any, as indicated in the Bond Notification.

The principal amounts of Alternate Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Alternate Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the Commission may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Bond Registrar may, and if directed by the Board shall, purchase Alternate Bonds required to be retired on such mandatory redemption date. Any such Alternate Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date.

(c) *General.* The Bonds shall be redeemed only in the principal amount of \$5,000 and integral multiples thereof. The Commission shall, at least forty-five (45) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar) notify the Bond Registrar of such redemption date and of the principal amount and maturity or maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar from the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided* that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall make such selection upon the earlier of the irrevocable deposit of funds with an escrow agent sufficient to pay the redemption price of the Bonds to be redeemed or the time of the giving of official notice of redemption.

The Bond Registrar shall promptly notify the Commission in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Section 10. Redemption Procedure. Unless waived by any holder of Bonds to be redeemed, notice of the call for any such redemption shall be given by the Bond Registrar on behalf of the Commission by mailing the redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All notices of redemption shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,
- (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Bond Registrar, and
- (6) such other information then required by custom, practice or industry standard.

Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed at the option of the Commission shall have been received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Commission, state that said redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or

prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Commission shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption shall have been given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the Commission shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Commission shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal.

If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued.

Section 11. Amendment. The rights and obligations of the Commission and of the registered owners of Outstanding Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Board with the written consent of the registered owners

of not less than two-thirds of the principal amount of all Outstanding Bonds (excluding any of said bonds owned by or under the control of the Commission); *provided, however*, that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate on, or permit the creation of a preference or priority of any Outstanding Bond or Outstanding Bonds over any other Outstanding Bond or Outstanding Bonds, or otherwise alter or impair the obligation of the Commission to pay the principal of, interest on and redemption premium (if any) on any of the Outstanding Bonds at the time, place, rate, and in the currency provided therein, or alter or impair the obligations of the Commission with respect to the Tax-exempt status, the registration, transfer, exchange or notice of redemption of the Alternate Bonds, without the express consent of the registered owners of all the Outstanding Bonds affected; nor shall any such modification or amendment reduce the percentage of the registered owners of Outstanding Bonds required for the written consent of such modification or amendment without the consent of the owners of all of the Outstanding Bonds. If a given Series of Bonds is fully and irrevocably insured or otherwise provided for as to the timely payment of principal and interest by a bond insurance policy, a letter of credit, or some other means, and such policy provider or letter of credit provider shall not be in default, then any consent to amendment as herein provided shall not be given by the owners of Bonds of such Series, but rather shall be obtained from such provider, whose consent may or may not be given in its complete discretion, and whose consent shall be binding on such owners and all successors in interest. Ownership of Bonds for purposes of consent by the registered owners thereof shall be conclusively proved by the Bond Register. In obtaining or receiving the consents of registered owners, the Commission may establish reasonable rules of procedure including, without limitation, rules relating to (i) a record date to fix the registered owners who are entitled to vote, (ii) solicitation of proxies and (iii) a meeting of the registered owners for the

taking of actions. The registered owners of Bonds may vote their Bond interest in fractional shares. In the event that Bonds are registered in the name or names of nominees or depositories, consent of such owners by proxy in accordance with the applicable customs of the securities industry or rules of the Securities and Exchange Commission, Municipal Securities Rulemaking Board or other association or agency having jurisdiction shall be sufficient.

Section 12. Forms of Bonds. The Bonds shall be in substantially the forms hereinafter set forth; *provided, however,* that if the text of the Alternate Bonds is to be printed in its entirety on the front side of the Alternate Bonds, then the second paragraph on the front side and the legend “See Reverse Side for Additional Provisions” shall be omitted and the text of paragraphs set forth for the reverse side shall be inserted immediately after the first paragraph.

[FORM OF ALTERNATE BOND — FRONT SIDE]

REGISTERED
No. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTY OF COOK
MORTON GROVE–NILES WATER COMMISSION
GENERAL OBLIGATION WATER BOND (ALTERNATE REVENUE SOURCE)
SERIES 2018_

See Reverse Side for
Additional Provisions.

Interest Maturity Dated
Rate: ____% Date: December 1, 20__ Date: _____, 2018 CUSIP _____

Registered Owner: CEDE & Co.

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS that the Morton Grove–Niles Water Commission, Cook County, Illinois, a water commission and unit of local government of the State of Illinois (the “*Commission*”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the Dated Date of this Bond identified above or from the most recent interest payment date to which interest has been paid or duly provided for at the Interest Rate per annum identified above on _____ 1, 20__, and semiannually thereafter on June 1 and December 1 of each year until said Principal Amount is paid or duly provided for, and except as the provisions hereinafter set forth with respect to redemption prior to maturity may be and become applicable hereto. The principal of or redemption price of this Bond are payable in lawful money of the United States of America upon presentation hereof at the principal corporate trust office of Amalgamated Bank of Chicago, Chicago, Illinois, as bond

registrar and paying agent (the "*Bond Registrar*"). Payment of the installments of interest shall be made to the Registered Owner hereof as shown on the registration books of the Commission maintained by the Bond Registrar at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Bond Registrar.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof, and such further provisions shall for all purposes have the same effect as if 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 issuance of this Bond have been done and have happened and have been performed in regular and due form of law; that the indebtedness of the Commission, including the issue of Bonds of which this is one, does not exceed any limitation imposed by law; that provision has been made for the collection of the Pledged Revenues, the levy and collection of the Pledged Taxes, and the segregation of all Pledged Moneys to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity; and that the Commission hereby covenants and agrees that it will properly account for said Pledged Moneys and will comply with all the covenants of and maintain the funds and accounts as provided by the Ordinance.

FOR THE PROMPT PAYMENT OF THIS BOND, BOTH PRINCIPAL AND INTEREST AT MATURITY, THE FULL FAITH, CREDIT AND RESOURCES OF THE COMMISSION ARE HEREBY IRREVOCABLY PLEDGED.

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE COMMISSION, THE VILLAGE OF MORTON GROVE, ILLINOIS, OR THE VILLAGE OF NILES, ILLINOIS, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

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

IN WITNESS WHEREOF the Morton Grove–Niles Water Commission, Cook County, Illinois, by its Board of Commissioners, has caused this Bond to be signed by the Chairman of said Commission and attested by the Clerk of said Commission, all as appearing hereon and as of the Dated Date identified above.

Chairman, Morton Grove–Niles Water
Commission, Cook County, Illinois

[SEAL]

ATTEST:

Clerk, Morton Grove–Niles Water Commission
Cook County, Illinois

Date of Authentication: _____, 20__

CERTIFICATE
OF
AUTHENTICATION

Bond Registrar:
Amalgamated Bank of Chicago
Chicago, Illinois

This Bond is one of the Bonds described in the within mentioned Ordinance and is one of the General Obligation Water Bonds (Alternate Revenue Source), Series 2018__, of the Morton Grove-Niles Water Commission, Cook County, Illinois.

AMALGAMATED BANK OF CHICAGO, as
Bond Registrar

By _____
Authorized Officer

[FORM OF ALTERNATE BOND — REVERSE SIDE]

**MORTON GROVE–NILES WATER COMMISSION, COOK COUNTY, ILLINOIS
GENERAL OBLIGATION WATER BOND (ALTERNATE REVENUE SOURCE), SERIES 2018__**

This bond and the bonds of the series of which it forms a part (“*Bond*” and “*Bonds*” respectively) are of an authorized issue of _____ Dollars (\$_____) of like Dated Date and tenor except as to maturity, rate of interest and privilege of redemption. The Bonds are also issued pursuant to Division 135 of Article 11 of the Illinois Municipal Code, as amended, and the Local Government Debt Reform Act of the State of Illinois, as amended, for the purpose of paying the costs of constructing a new waterworks system of the Commission (the “*System*”) to supply water to the Villages of Morton Grove and Niles, Illinois. The Bonds are payable from the Pledged Revenues of the System and are also payable from the Pledged Taxes of the Commission.

The Bonds are issued pursuant to an authorizing ordinance passed by the Board of Commissioners of the Commission (the “*Board*”) and by a more complete bond ordinance passed by the Board on the 25th day of January, 2018 (the “*Ordinance*”), to which reference is hereby expressly made for further definitions and terms and to all the provisions of which the Registered Owner by the acceptance of this Bond assents. This Bond does not and will not constitute an indebtedness of the Commission within the meaning of any constitutional or statutory provision or limitation, unless the Pledged Taxes shall be extended pursuant to the general obligation, full faith and credit promise supporting the Bonds, in which case the amount of the Bonds then Outstanding shall be included in the computation of indebtedness of the Commission for purposes of all statutory provisions or limitations until such time as an audit of the Commission shall show that the Bonds shall have been paid from the Pledged Revenues for a complete Fiscal Year.

Additional Bonds may be issued pursuant to the terms of the Ordinance.

The rights and obligations of the Commission and of the registered owners of the Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Board with certain written consents as provided in the Ordinance.

[Optional and Mandatory Redemption provisions, as applicable, will be inserted here].

Notice of any such redemption shall be sent by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books of the Commission maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar. When so called for redemption, this Bond will cease to bear interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

This Bond is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Bond Registrar in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the authorizing ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Bonds are issued in fully registered form in the denomination of \$5,000 each or authorized integral multiples thereof. This Bond may be exchanged at the principal corporate trust office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations, upon the terms set forth in the authorizing ordinance. The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 15th day of the month next preceding any interest payment date on such Bond and ending at the opening of business on such interest

payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

The Commission and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof, premium, if any, hereon and interest due hereon and for all other purposes, and neither the Commission nor the Bond Registrar shall be affected by any notice to the contrary.

ASSIGNMENT

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

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____

as attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

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

[END OF ALTERNATE BOND FORM]

[FORM OF IEPA BOND]

SOLE BOND: REGISTERED
No. _____

MAXIMUM AMOUNT REGISTERED
\$ _____

THIS BOND IS TRANSFERABLE ONLY AS A WHOLE.

**UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTY OF COOK
MORTON GROVE-NILES WATER COMMISSION
WATER REVENUE BOND, JUNIOR LIEN (IEPA)
SERIES 20__**

Interest
Rate: ____%

Maturity
Date: _____, 20__

Dated
Date: _____, 20__

KNOW ALL PERSONS BY THESE PRESENTS that the Morton Grove-Niles Water Commission, Cook County, Illinois, a water commission and unit of local government of the State of Illinois (the "*Commission*"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner, solely from the Junior Bond and Interest Account of the Water Fund of the Commission as hereinafter set forth and not otherwise, the Outstanding Principal Amount of this Bond. The "*Outstanding Principal Amount*" is that amount, not to exceed the Face Amount of this Bond as set forth above, shown as advanced in even multiples of \$100 from time to time and received by the Commission for value, as is noted on this Bond in the form of Advances for Value hereon. The Outstanding Principal Amount is subject to reduction for redemption and prepayment thereof as hereinafter provided. The Commission promises to pay from such account and fund, and not otherwise, interest on the Outstanding Principal Amount at the rate of ____% per annum. The Outstanding Principal Amount of this Bond shall become due and payable pursuant to the schedule of repayment (the "*Repayment Schedule*") set forth herein and determined in accordance with the Loan Agreement hereinafter defined.

This Bond shall bear interest on the Outstanding Principal Amount from time to time at the rate aforesaid, in each case from the time advanced until paid or duly provided for, such interest computed on the basis of a 365-day or 366-day year, as applicable, and being payable on the dates provided in the Repayment Schedule. The interest on and all installments of principal of this Bond shall be payable in lawful money of the United States of America upon presentation at the office of the Treasurer of the Commission, 1000 Civic Center Drive, Niles, Illinois, as bond registrar and paying agent (the “*Bond Registrar*”); *provided, however*, that so long as any agency of the State of Illinois or of the U.S. Government or a financial institution is the Registered Owner as shown by the Bond Register, then such payments shall be made by check or draft of the Bond Registrar to the Registered Owner, which check or draft shall be payable in lawful money of the United States of America, and mailed not less than four (4) business days prior to the date when due to the address of the Registered Owner as set forth in the Bond Register, or at such other address as is furnished in writing to the Bond Registrar; but, *provided, further*, that the final installment of principal and interest, when due, shall only be payable upon presentation of this Bond.

This Bond and the bonds of the series of which it forms a part (“*Bond*” and “*Bonds*” respectively) are of an authorized issue of _____ (\$ _____), of like dated date and tenor except as to maturity, rate of interest and privilege of redemption. The Bonds are payable solely from the Revenues derived from the operation of the waterworks system of the Commission (the “*System*”) after payment of Operation and Maintenance Costs (the “*Net Revenues*”) and after payment of obligations having a prior lien on such Net Revenues now outstanding or to be issued in the future, all as provided in the Ordinance (defined below), and not otherwise, and are issued under authority of the provisions of Division 135 of Article 11 of the Illinois Municipal Code, as supplemented and amended, and particularly as supplemented by

the Local Government Debt Reform Act of the State of Illinois, as amended (collectively, the “Act”), for the purposes of paying a portion of the costs of the Project (as defined in the Ordinance). The Bonds are issued pursuant to an ordinance passed by the Board of Commissioners (the “Board”) of the Commission on the 25th day of January, 2018 (the “Ordinance”), and pursuant to a Loan Agreement (the “Loan Agreement”), as authorized by the Ordinance, by and between the Commission and the Environmental Protection Agency of the State of Illinois, as initial purchaser for value and Registered Owner hereof. Reference is hereby expressly made to the Ordinance and Loan Agreement for further definitions and terms and to all the provisions of which the holder by the acceptance of this Bond assents. This Bond does not constitute an indebtedness of the Commission within the meaning of any constitutional or statutory provision or limitation. This Bond is a limited obligation of the Commission payable solely from the Net Revenues after payment of the obligations having a prior lien on such Net Revenues now outstanding or to be issued in the future, all as provided in the Ordinance. THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE COMMISSION, THE VILLAGE OF MORTON GROVE, ILLINOIS, OR THE VILLAGE OF NILES, ILLINOIS, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

Under the Act and the Ordinance, the Revenues from the operation of the System shall be deposited into the Water Fund, which shall be used only and is hereby pledged for paying Operation and Maintenance Costs, paying the principal of and interest on all bonds of the Commission that are payable by their terms only from the Revenues of the System, providing an adequate depreciation fund and rate stabilization fund, and in making all payments required to maintain the accounts established under the terms of the Ordinance.

This Bond is subject to and subordinate as to the lien on the Revenues of the Alternate Bonds, any Additional Alternate Bonds and any Senior Bonds (each as defined in the

Ordinance), the provision for payment of which is made from an account or accounts of the Water Fund having a prior claim on the Revenues. In addition, Bonds may be issued in the future to share in the Revenues of the System on a parity as to lien with or subordinate to the lien of this Bond.

Additional Bonds (as defined in the Ordinance) may be issued pursuant to the terms of the Ordinance.

The rights and obligations of the Commission and of the registered owners of the Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Board with certain written consents as provided in the Ordinance.

This Bond is subject to redemption and prepayment, at the option of the Commission, in whole or in part, at any time, at the redemption price of par and accrued interest to the date of redemption, upon the notice as given and further terms as are provided in the Ordinance.

This Bond is transferable as a whole but not in part by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the office of the Bond Registrar in Niles, Illinois, only in the manner, subject to the limitations and upon payment of the charges provided in the Ordinance. Upon surrender hereof at the office of the Bond Registrar, accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the Registered Owner or an attorney for such owner duly authorized in writing, the Bond Registrar shall register this Bond in the name of the new Registered Owner on the registration grid provided herein, and shall also enter the name and address of the new registered owner in the Bond Register.

The Bond Registrar shall not be required to transfer this Bond during the period from the close of business on the 15th day next preceding any interest payment date on such Bond and ending at the opening of business on such interest payment date or during the period of 15 days

preceding the giving of notice of redemption of this Bond or to transfer any Bond all or a portion of which has been called for redemption.

The Commission and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof, premium, if any, hereon and interest due hereon and for all other purposes, and neither the Commission nor the Bond Registrar shall be affected by any notice to the contrary.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have been done and have happened and have been performed in regular and due form of law and that provision has been made for depositing into the Water Fund the entire Revenues received from the operation of the System to be applied in the manner as hereinabove set forth; and the Commission hereby covenants and agrees that it will fix and maintain rates for the use and service of the System and collect and account for the Revenues derived therefrom sufficient at all times to pay Operation and Maintenance Costs, promptly to pay principal of and interest on all bonds issued by the Commission which are payable solely from the Revenues of the System, to provide an adequate depreciation fund and rate stabilization fund, and to comply with all the covenants of and to maintain the accounts created by the Ordinance.

THE INTEREST ON THIS BOND IS NOT TAX-EXEMPT UNDER THE PROVISIONS OF SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AND THE REGISTERED OWNER HEREOF BY ACCEPTANCE OF THIS BOND ACKNOWLEDGES SUCH STATUS AND AGREES WITH THE COMMISSION NOT TO ASSERT ANY CLAIM TO THE CONTRARY.

The tables and forms following the signatures on this Bond and entitled Advances for Value, Repayment Schedule, Prepayment Notation and Registered Owner Notation are an

integral part of this Bond as if in each case fully set forth at this place and are incorporated herein by this reference.

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

IN WITNESS WHEREOF, the Morton Grove–Niles Water Commission, Cook County, Illinois, by its Board of Commissioners has caused this Bond to be executed with the manual or duly authorized facsimile signature of its Chairman and attested by the manual or duly authorized facsimile signature of its Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the Dated Date identified above.

Chairman, Morton Grove–Niles Water
Commission, Cook County, Illinois

[SEAL]

ATTEST:

Clerk, Morton Grove–Niles Water Commission
Cook County, Illinois

Date of Authentication: _____, 20__

CERTIFICATE
OF
AUTHENTICATION

Bond Registrar:
Treasurer, Morton Grove–Niles Water
Commission, Cook County, Illinois

This Bond is one of the Bonds described in the within mentioned Ordinance and is one of the Water Revenue Bonds, Junior Lien (IEPA), Series 2018__, of the Morton Grove–Niles Water Commission, Cook County, Illinois.

Treasurer

ASSIGNMENT

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

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____

as attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

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

ADVANCES FOR VALUE

This Bond is valid to the amount set forth below, the aggregate of said amounts being its Outstanding Principal Amount (subject to reduction for installment payments and redemption and prepayment, as provided herein).

AMOUNT ADVANCED (\$)	DATE ADVANCED	SIGNATURE OF TREASURER
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____

REPAYMENT SCHEDULE

YEAR	_____ OF THE YEAR			_____ OF THE YEAR		
	PRINCIPAL \$	INTEREST \$	TOTAL	PRINCIPAL \$	INTEREST \$	TOTAL
20__	_____	_____	_____	_____	_____	_____
20__	_____	_____	_____	_____	_____	_____
20__	_____	_____	_____	_____	_____	_____
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20__	_____	_____	_____	_____	_____	_____

PREPAYMENT NOTATION

The installments of principal on this Bond have been prepaid at the times and in the amounts set forth below, and the Repayment Schedule accordingly modified.

AMOUNT PREPAID (\$)	DATE PREPAID	SIGNATURE OF TREASURER

REGISTERED OWNER NOTATION

This Bond shall be registered on the Bond Register of the Commission kept for the purpose by the Treasurer of the Commission, as Bond Registrar. The principal and interest on this Bond shall be payable only to or upon the order of the Registered Owner or such owner's legal representative.

No registration hereof shall be valid unless signed by the Bond Registrar.

DATE OF REGISTRATION	NAME OF REGISTERED OWNER	SIGNATURE OF BOND REGISTRAR
_____	State of Illinois Illinois Environmental Protection Agency _____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
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[END OF IEPA BOND FORM]

Section 13. IEPA Bonds Limited Obligations. The IEPA Bonds shall be payable solely from the Net Revenues as derived from the operation of the System and from the accounts as set forth herein, and shall not constitute an indebtedness of the Commission or the Members within the meaning of any constitutional or statutory limitation.

Section 14. Water Fund and Accounts. Upon the issuance of any of the Bonds, the System shall be operated on a Fiscal Year basis. All of the Revenues shall be set aside as collected and be deposited into a separate fund, which fund is hereby created and designated as the "*Water Fund*" of the Commission (the "*Fund*"). The Fund shall constitute a trust fund for the sole purpose of carrying out the covenants, terms, and conditions of this Ordinance, and shall be used only in paying Operation and Maintenance Costs, paying the principal of and interest on all revenue bonds, alternate bonds and other obligations of the Commission which by their terms are payable from the Revenues derived from the System, providing an adequate depreciation fund and a rate stabilization fund, and providing for the establishment of and expenditure from the respective accounts as hereinafter described.

Section 15. Flow of Funds. There shall be and there are hereby created and established the separate accounts in the Fund known as the "*Operation and Maintenance Account*," the "*Senior Bond and Interest Account*," the "*Senior Bond Reserve Account*," the "*Alternate Bond and Interest Account*," the "*Junior Bond and Interest Account*," the "*Junior Bond Reserve Account*," the "*Depreciation Account*," the "*Rate Stabilization Account*," and the "*Surplus Account*," to which there shall be credited on a given day of each month as selected by the Superintendent or the chief financial officer of the Commission, without any further official action or direction, in the order in which said accounts are hereinafter mentioned, all moneys held in the Fund, in accordance with the following provisions.

A. *Operation and Maintenance Account.* There shall be credited to the Operation and Maintenance Account an amount sufficient, when added to the amount then on deposit in said Account, to establish a balance to an amount not less than the amount necessary to pay Operation and Maintenance Costs for the then current month. Amounts in said Account shall be used to pay Operation and Maintenance Costs.

B. *Senior Bond and Interest Account.* There next shall be credited to the Senior Bond and Interest Account and held, in cash and investments, an even monthly fractional amount of the then Current Debt Service Requirement for all Outstanding Senior Bonds until and for so long as there shall have been accumulated and held, in cash and investments, in the Senior Bond and Interest Account on or before the time needed the entire Current Debt Service Requirement for all Outstanding Senior Bonds.

C. *Senior Bond Reserve Account.* At the time of delivery of each series of Senior Bonds, an amount sufficient to provide a credit balance equal to Maximum Annual Debt Service shall be deposited to the credit of the Senior Bond Reserve Account. The Senior Bond Reserve Account shall be maintained in the amount of Maximum Annual Debt Service. In the event of a withdrawal from the Senior Bond Reserve Account resulting in the amount on deposit to the credit thereof being less than the required amount, the Commission covenants to replenish the Senior Bond Reserve Account to Maximum Annual Debt Service at the rate of not less than 1/12th the deficiency per month. In the event of a decreased valuation of investments resulting in the amount on deposit to the credit thereof being less than the required amount, the Commission covenants to replenish the Senior Bond Reserve Account to Maximum Annual Debt Service at the rate of not less than 1/3rd the deficiency per month.

Amounts to the credit of the Senior Bond Reserve Account shall be used to pay principal of or interest on the Outstanding Senior Bonds at any time when there are insufficient funds available in the Senior Bond and Interest Account to pay the same.

Cross-reference is made to Section 35 relating to Qualified Reserve Account Instruments which may be provided in this Account in lieu of cash.

D. *Alternate Bond and Interest Account.* There next shall be credited to the Alternate Bond and Interest Account and held, in cash and investments, an even monthly fractional amount of the then Current Debt Service Requirement for all Outstanding Alternate Bonds until and for so long as there shall have been accumulated and held, in cash and investments, in the Alternate Bond and Interest Account on or before the time needed the entire Current Debt Service Requirement for all Outstanding Alternate Bonds.

E. *Junior Bond and Interest Account.* There next shall be credited to the Junior Bond and Interest Account and held, in cash and investments, an even monthly fractional amount of the then Current Debt Service Requirement of the Outstanding IEPA Bonds and Outstanding Junior Bonds until and for so long as there shall have been accumulated and held, in cash and investments, in the Junior Bond and Interest Account on or before the time needed the entire Current Debt Service Requirement of the Outstanding IEPA Bonds and Outstanding Junior Bonds.

F. *Junior Bond Reserve Account.* After delivery of any Series of IEPA Bonds, the Board shall deposit on a monthly basis an amount equal to the principal and interest payments due annually on the Series of IEPA Bonds as set forth by the respective Loan Agreement. In connection with such Series of IEPA Bonds, the Junior Bond Reserve Fund must be fully funded within two calendar years of the date on which the loan for the funding of the portion of the Project is awarded by the IEPA, as set for forth in the

respective Loan Agreement. In addition, at the time of delivery of each series of Junior Bonds, an amount sufficient to provide a credit balance equal to Maximum Annual Debt Service shall be deposited to the credit of the Junior Bond Reserve Account. The Junior Bond Reserve Account shall be maintained in the amount of Maximum Annual Debt Service. In the event of a withdrawal from the Junior Bond Reserve Account resulting in the amount on deposit to the credit thereof being less than the required amount, the Commission covenants to replenish the Junior Bond Reserve Account to Maximum Annual Debt Service at the rate of not less than 1/12th the deficiency per month. In the event of a decreased valuation of investments resulting in the amount on deposit to the credit thereof being less than the required amount, the Commission covenants to replenish the Junior Bond Reserve Account to Maximum Annual Debt Service at the rate of not less than 1/3rd the deficiency per month.

Amounts to the credit of the Junior Bond Reserve Account shall be used to pay principal of or interest on the Outstanding IEPA Bonds and Junior Bonds at any time when there are insufficient funds available in the Junior Bond and Interest Account to pay the same.

Cross-reference is made to Section 35 relating to Qualified Reserve Account Instruments which may be provided in this Account in lieu of cash; provided, however, in connection with the IEPA Bonds, a Qualified Reserve Account Instrument would have to be authorized by the applicable Loan Agreement.

G. *Depreciation Account.* At the time of the delivery of the Bonds, there shall be deposited to the credit of the Depreciation Account the sum, in cash and investments valued at market, of \$100,000. Thereafter no further deposits need be made to the Depreciation Account so long as the amount of at least \$100,000 remains; but if, for any

reason, the account balance shall be less than \$100,000, there shall be deposited each month to the credit of the Account the amount of \$5,000 until the credit balance shall again be not less than \$100,000. The amount to be provided in this Account and the monthly funding requirement may be increased at the discretion of the Board; *provided, however,* that if increased at the discretion of the Board (and not by contract such as, by way of example, an ordinance relating to Additional Bonds), then the amounts may thereafter also be decreased but not below the amounts herein provided.

Amounts to the credit of the Depreciation Account shall be used (1) to provide an adequate allowance for depreciation as shall be determined from time to time by the Board in its sole discretion, (2) to pay the cost of extraordinary maintenance, necessary repairs and replacements, or contingencies, or for improvements or extensions to the System as shall be determined from time to time by the Board in its sole discretion, and (3) at any time required, for the payment of principal of or interest on any Outstanding Bonds or other obligations payable from the Water Fund when there are no other funds available for that purpose in order to prevent a default and shall be transferred to the appropriate account of the Water Fund for such purpose.

Whenever an amount is withdrawn from such appropriate account of the Water Fund for the purpose stated in clause (3) of the preceding paragraph, the amount so transferred shall be added to the amount to be next and thereafter credited to the Depreciation Account until full reimbursement to said appropriate account of the Water Fund has been made.

H. *Rate Stabilization Account.* The Commission shall hereby establish, and shall maintain at all times hereafter, a Rate Stabilization Account as a separate account of the Water Fund. At the time of the delivery of the Bonds, there shall be deposited to the

credit of the Rate Stabilization Account the sum, in cash and investments valued at market, of \$100,000. The amount to be retained or deposited in this Account and any future monthly funding requirement shall be determined at the discretion of the Board. Amounts on deposit in the Rate Stabilization Account may be used by the Commission for any lawful purpose, including to assist in satisfying any rate covenants or coverage tests under the Debt Reform Act or under this Ordinance. To the extent that amounts on deposit in the Water Fund are insufficient in any year for any of the purposes thereof, the Commission covenants that, to the extent amounts are on deposit in the Rate Stabilization Account, it shall transfer amounts from the Rate Stabilization Account to the Water Fund to cover any such insufficiency.

I. *Surplus Account.* All moneys remaining in the Fund, after crediting the required amounts to the respective accounts hereinabove provided for, and after making up any deficiency in the accounts described in subsections (A) to (H), inclusive, shall be credited each month to the Surplus Account. Funds in the Surplus Account shall first be used to make up any subsequent deficiencies in any of the accounts hereinabove named and then, at the discretion of the Board or as covenanted by the Commission in proceedings related to any issue of Additional Bonds or other obligations, including subordinate revenue obligations payable from Revenues, shall be used for one or more of the following purposes without any priority among them except as may be covenanted:

1. For the purpose of constructing or acquiring repairs, replacements, or improvements or extensions to the System.

2. For the purpose of calling and redeeming Outstanding Bonds or Additional Bonds which are callable at the time or for the purpose of purchasing Outstanding Bonds or Additional Bonds.

3. For the purpose of paying principal of and interest on any bonds or other obligations issued for the purpose of acquiring or constructing repairs, replacements, or improvements or extensions to the System or otherwise properly payable from the Water Fund or refunding obligations issued for such purposes.

4. For the payment of rebate of “excess arbitrage profits” under the Code to the United States Government.

5. For any other lawful System purpose.

J. *Investments.* Moneys to the credit of the Fund prior to the monthly accounting may be invested but only in accordance with the Commission’s then current investment policy and in Qualified Investments.

Such investments may be sold from time to time by the Treasurer as funds may be needed for the purpose for which said respective accounts have been created. Investments in the Accounts shall mature or be subject to redemption at the option of the holder thereof prior to the time when needed, and, in any event, within the times as follows:

ACCOUNT	TIME
Operation and Maintenance	6 months
Bond and Interest	1 year
Bond Reserve	5 years
Depreciation	5 years
Rate Stabilization	5 years
Surplus	5 years

provided, however, that amounts on deposit in the Alternate Bond and Interest Account intended to be applied to interest due beyond a period of one year (such as interest capitalized from bond proceeds) may be invested to the time expected to be paid out for such purpose.

All interest or profit earned on any funds so invested in the respective Senior Bond and Interest Account, the Alternate Bond and Interest Account or the Junior Bond and Interest Account shall be retained therein; and all interest or profit earned on any funds so invested in the respective Senior Bond Reserve Account or the Junior Bond Reserve Account shall be credited by the end of the fiscal year to the Operation and Maintenance Account. The Commission may take credit for such earnings in any monthly accounting after receipt. All interest or profit earned on any funds so invested in other Accounts shall be credited to the Fund generally.

For the purpose of determining whether sufficient cash and investments are on deposit in such accounts under the requirements of this Ordinance, investments shall be valued at market value at least quarterly.

Moneys in any of the Accounts shall be invested by the Treasurer, if necessary, in investments restricted as to yield, which investments may be in United States Treasury Obligations — State and Local Government Series, if available, and to such end the Treasurer shall refer to any investment restrictions covenanted by the Commission or any officer thereof as part of the transcript of proceedings for the issuance of the Alternate Bonds, and to appropriate opinions of counsel.

K. *Surplus.* Any amounts to the credit of the Accounts in excess of the then current maximum requirement therefor may be transferred not less often than annually by the Commission officer charged with accounting for the System Fund to the Surplus Account.

Section 16. General Covenants. The Commission covenants and agrees with the holders and registered owners of the Outstanding Bonds as follows:

A. The Commission will proceed with due diligence to construct the Project, will maintain the System in good repair and working order, will operate the System efficiently and faithfully, and will punctually perform all duties with respect thereto required by the Constitution and laws of the State and the United States of America. Furthermore, the Commission covenants to maintain the System in good condition and to operate it in an efficient manner and at a reasonable cost. The Superintendent shall be required to report annually on the condition and operation of the System.

B. The Commission will establish and maintain at all times reasonable fees, charges, and rates for the use and service of the System and will provide for the collection thereof and the segregation and application of the Revenues in the manner provided by this Ordinance, sufficient at all times (1) to pay Operation and Maintenance Costs, to pay the principal of and interest on all revenue bonds or other obligations of the Commission which by their terms are payable solely from the Revenues, and to provide Net Revenues in each Fiscal Year in the amount of not less than 125% of the Current Debt Service Requirement for all Outstanding Bonds and other obligations payable from the Senior Bond and Interest Account and the Alternate Bond and Interest Account for such Fiscal Year; and (2) to the extent necessary after application of the Net Revenues available pursuant to the aforesaid covenant relating to the provision of 125% of the Current Debt Service Requirement, to provide such additional amounts as may be required to provide an adequate depreciation fund and to provide for the creation and maintenance of the respective accounts as provided in Section 15 of this Ordinance;

provided, however, that the amounts on deposit in the Rate Stabilization Account may be used by the Commission in satisfying this rate covenant.

There shall be charged against all users of the System, such rates and amounts for water supply services as shall be adequate to meet the requirements of this subsection.

Whenever the aforesaid rate covenant shall not have been met for a Fiscal Year, the Commission will promptly have prepared a rate study for the System by an independent consultant employed for that purpose, and further, to file such study or an executive summary thereof along with a statement of Board actions taken or planned in response to the recommendations contained in such study in the office of the Clerk for public inspection.

The Commission has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Revenues that ranks on a parity with or prior to the pledge granted under this Ordinance. The Commission shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Revenues that ranks prior to or on a parity with the pledge granted under this Ordinance, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted under this Ordinance.

C. The Commission from time to time will make all needful and proper repairs, replacements, additions, and betterments to the System so that it may at all times be operated properly and advantageously; and when any necessary equipment or facility shall have been worn out, destroyed, or otherwise is insufficient for proper use, it shall be promptly replaced so that the value and efficiency of the System shall be at all times fully maintained.

D. The Commission will establish such rules and regulations for the control and operation of the System as are necessary for the safe, lawful, efficient and economical operation thereof.

E. The Commission will make and keep proper books and accounts, in which complete entries shall be made of all transactions relating to the System, and hereby covenants that within 210 days following the close of each Fiscal Year, it will cause the books and accounts of the System to be audited by independent certified public accountants. Said audit will be available for inspection by the registered owners of any of the Bonds. Each such audit, in addition to whatever matters may be thought proper by the accountants to be included therein, shall, without limiting the generality of the foregoing, include the following:

1. A statement in detail of income and expenditures of the System for such Fiscal Year.
2. A balance sheet as of the end of such Fiscal Year, including a statement of the amount held in each of the accounts of the Fund.
3. A list of all insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, and the expiration date of the policy, and a statement of any self-insurance by the Commission and reserves maintained therefor.
4. The number of customers served by the System at the end of the year.
5. The amount of water that was purchased and sold by the System.
6. A summary of rates in effect at the end of such Fiscal Year for services of the System and any changes in such rates effective during such Fiscal Year.
7. The amount and details of all Outstanding Bonds and Outstanding Additional Bonds.

8. The accountant's comment regarding the manner in which the Commission has carried out the accounting requirements of this Ordinance, and the accountant's recommendations for any changes or improvements in the financial accounting operations of the System.

All expenses of the audit required by this section shall be regarded and paid as Operation and Maintenance Costs.

F. The Commission will keep the books and accounts for the System in accordance with generally accepted fund reporting practices for municipal enterprise funds.

G. The Commission may sell or dispose of any property of the System only when such sale or disposal is in the judgment of the Commission advisable for the best interests of the Commission and the System and which will not impair the ability of the System to produce the Net Revenues sufficient to meet the covenant in B of this section; *provided, however*, that if such sale either at one time or pursuant to a course of action will result in disposition of 20% or more of the System as valued by gross book value of assets or outstanding debt (whichever is less), then the Commission must obtain a report of an independent water supply utility professional concurring in the Commission's judgment as to no impairment of Net Revenues; and the Commission will take no action in relation to the System which would unfavorably affect the security of the Outstanding Bonds and other obligations payable or the prompt payment of the principal thereof and interest thereon. Any amounts received from the sale of property of the System shall be deposited to the credit of the Surplus Account.

H. Any holder or registered owner of a Bond may proceed by civil action to compel performance of all duties required by law and this Ordinance, including the making and collecting of sufficient charges and rates for the service supplied by the System and the application of the income and revenue therefrom.

I. The Commission will carry insurance on the System of the kinds and in the amounts which are usually carried by private parties operating similar properties, covering such risks as shall be recommended by a competent insurance consultant employed by the Commission for the purpose of making such recommendations. Alternatively, the Commission shall self-insure or provide insurance by means of a self-insurance pool with other units of local government, *provided* that either private insurance is not available at a reasonable cost or the Commission or the pool shall have assets or shall have created a self-insurance reserve fund in an amount as shall be determined by a competent insurance consultant to be not unreasonable in view of the risks insured. All moneys received for property loss under such insurance policies or from the self-insurance reserve fund or pool shall be deposited to the credit of the Depreciation Account and used in making good the loss or damage in respect of which they were paid, either by repairing the property damaged or making replacement of the property destroyed, and provision for making good such loss or damage shall be made within 90 days from the date of the loss. The proceeds derived from any and all policies for workers' compensation or public liability or from the self-insurance reserve fund or pool shall be paid into the Operation and Maintenance Account and used in paying the claims on account of which they were received or shall be used to reimburse any account from which the claim was previously paid. The payment of premiums, regular payments to a pool and regular accumulations for a reserve fund required under the provisions of this covenant shall be considered an Operation and Maintenance Cost.

The Commission further covenants to continuously maintain insurance on the System and against such risks (including casualty, accident and worker's compensation) in such amounts and with such deductibles, as are consistent with customary coverage, as

from time to time in effect, in connection with the operation of a System of type and size comparable to the System and as maintained by a political subdivision similar to the Commission.

The Commission covenants (i) to cause an independent insurance consultant to annually review the insurance coverage and to make recommendations, and (ii) to comply with such recommendations.

J. The Commission covenants not to provide any free service of the System.

K. The Commission will adopt a budget for the Water Fund prior to the beginning of each Fiscal Year, subject to applicable state law, providing for Revenues sufficient for payment of all sums to be required in the Fiscal Year so as to comply with the terms of this Ordinance and of any long-term water purchase or supply or other agreements related to the System. If during the Fiscal Year there are unexpected material receipts or payments, the Commission will adopt an amended budget for the remainder of the Fiscal Year.

Section 17. General Covenants Regarding Alternate Bonds. The Commission covenants and agrees with the registered owners of the Alternate Bonds that, so long as any Alternate Bonds remain Outstanding:

A. The Commission hereby pledges the Pledged Revenues to the payment of the Alternate Bonds; and the Board covenants and agrees to provide for, collect, and apply the Pledged Revenues to the payment of the Alternate Bonds and the provision of not less than an additional 0.25 times debt service on such bonds, all in accordance with Section 15 of the Debt Reform Act; provided, however, that the amounts on deposit in the Rate Stabilization Account may be used by the Commission in calculating the test in this subsection.

B. The Commission will punctually pay or cause to be paid from the Alternate Bond and Interest Account and from the Bond Fund the principal and interest to become due in respect to the Alternate Bonds in strict conformity with the terms of the Alternate Bonds and this Ordinance; and it will faithfully observe and perform all of the conditions, covenants, and requirements thereof and hereof.

C. The Commission will pay and discharge or cause to be paid and discharged from the Alternate Bond and Interest Account and the Bond Fund any and all lawful claims which, if unpaid, might become a lien or charge upon the Pledged Revenues or Pledged Taxes, or any part thereof, or upon any funds in the hands of the Bond Registrar, or which might impair the security of the Alternate Bonds. Nothing herein contained shall require the Commission to make any such payment so long as the Commission in good faith shall contest the validity of said claims.

D. The Commission will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Commission, in which complete and correct entries shall be made of all transactions relating to the Project, the Water Fund, the Pledged Revenues, the Pledged Taxes, the Alternate Bond and Interest Account and the Bond Fund.

E. The Commission will preserve and protect the security of the Alternate Bonds and the rights of the registered owners of the Alternate Bonds and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Alternate Bonds by the Commission, the Alternate Bonds shall be incontestable by the Commission.

F. The Commission will adopt, make, execute, and deliver any and all such further ordinances, resolutions, instruments, and assurances as may be reasonably

necessary or proper to carry out the intention of, or to facilitate the performance of, this Ordinance, and for the better assuring and confirming unto the registered owners of the Alternate Bonds of the rights and benefits provided in this Ordinance.

G. The Commission will take no action or fail to take any action which in any way would adversely affect the ability of the Commission to levy the Pledged Taxes and to collect and to segregate the Pledged Moneys. The Commission and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes can be levied and extended and that the Pledged Revenues and the Pledged Taxes may be collected and deposited to the Alternate Bond and Interest Account and the Bond Fund, respectively, as provided herein.

H. Once issued, the Alternate Bonds shall be and forever remain until paid the general obligation of the Commission, for the payment of which its full faith and credit are pledged, and shall be payable, in addition to the Pledged Revenues, from the levy of the Pledged Taxes as provided in the Debt Reform Act.

Section 18. Issuance of Additional Bonds. As long as there are any Outstanding Bonds, no obligations or bonds of any kind shall be issued which are payable from the Revenues except upon compliance with one of the options (A) through (D) set out below.

A. Parity Bonds may be issued for the purpose of paying any lawful cost of the System, including, without limitation, the cost of repairs, replacements, renewals, improvements and extensions to the System, for prepayments of the cost of purchased water or other Operations and Maintenance Costs, or for refunding Outstanding Bonds upon compliance with the following conditions:

1. The amounts required to be credited monthly to the respective accounts described in subsections (A) through (H), inclusive, of Section 15 of this

Ordinance must have been credited in full up to the date of the delivery of such Parity Bonds.

2. The Net Revenues of the System as shown by the most recently available audit of an independent certified public accountant, which audit shall be for either the most recent Fiscal Year or the preceding Fiscal Year if (i) the most recent Fiscal Year has ended within 270 days of the date of issuance of the proposed Parity Bonds and (ii) the audit for the most recent Fiscal Year is not yet available, or the Rate Adjusted Net Revenues (as defined herein) of the System for such year or the Analyst Adjusted Net Revenues (as defined herein) of the System for such year must equal at least 125% of the Current Debt Service Requirement for such year for Senior Bonds and 100% of the Current Debt Service Requirement for such year for Junior Bonds.

3. Net Revenues of the System may be adjusted: (a) In the event there shall have been an increase in the rates of the System from the rates in effect for the Fiscal Year of such audit, which increase has been enacted by the Board at the time of the issuance of any such Parity Bonds, the Net Revenues as described hereinabove may be adjusted (the "*Rate Adjusted Net Revenues*") to reflect the Net Revenues of the System for the said Fiscal Year as they would have been had said then existing rates been in effect during all of said Fiscal Year, which adjustment shall be evidenced by the certificate of the Treasurer or Superintendent, which certificate shall be filed with and approved by the Board prior to the issuance of the proposed Parity Bonds.

(b) In the event that the project or purpose for which the proposed Parity Bonds are to be issued is expected to result in new sources of Revenues (such as

new customers) or reduced Operations and Maintenance Costs (such as a favorable water supply arrangement), the Net Revenues as described hereinabove may be adjusted (the "*Analyst Adjusted Net Revenues*") to take into account such Net Revenues as they are projected to be in the first full Fiscal Year of the anticipated adjustment, which adjustment shall be evidenced by the certificate of a nationally recognized independent feasibility analyst or an independent consulting engineer employed for that purpose, which certificate shall be filed with and approved by the Board prior to the issuance of the proposed Parity Bonds.

B. Additional Bonds may be issued to refund Outstanding Bonds if the Additional Bonds result in a Current Debt Service Requirement in each Fiscal Year after the proposed issuance not greater than the corresponding year's Current Debt Service Requirement were such Additional Bonds not to be issued.

C. Additional Bonds may be issued to refund Outstanding Bonds in order to avoid or remedy default in the payment of principal of or interest on Outstanding Bonds; provided they are issued to avoid such default not earlier than three months prior to the due date of such principal or interest.

D. Future Alternate Bonds may be issued in the future on a parity with and sharing ratably and equally in the Pledged Revenues with the Alternate Bonds; *provided, however,* that no Future Alternate Bonds shall be issued except in accordance with the provisions of the Debt Reform Act as the Debt Reform Act is written at this time.

E. In any ordinance authorizing Additional Bonds it shall be proper to incorporate provisions of this Ordinance by reference and, where appropriate, to have the term "*Bonds*" as used herein mean such Additional Bonds.

F. Additional Bonds shall have the same principal and interest payment dates as the Alternate Bonds.

G. Bonds or other obligations may be issued payable from the Revenues subordinate to the Outstanding IEPA Bonds or Junior Bonds. Such subordinate bonds shall be payable from the Surplus Account created in Section 15 of this Ordinance or may be made payable from such other fund or account as may be provided therefor, upon the transfer of moneys from the Surplus Account to such other fund or account. Any debt of the Commission which is subordinate to the lien of the Outstanding IEPA Bonds or Junior Bonds on the Revenues, shall have the same payment dates as the Alternate Bonds.

H. Any certifications requiring computations establishing that debt service coverage is sufficient to authorize or support the issuance of Parity Bonds or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an independent certified public accountant or an independent consulting engineer.

I. Contracts or agreements, including long-term and take or pay contracts or agreements, for the supply of water which by their terms require payment by the Commission as an Operation and Maintenance Cost or from the Operation and Maintenance Account are expressly excluded from the provisions of this Ordinance pertaining to Additional Bonds. Such contracts or agreements may be made by the Commission notwithstanding any of the provisions herein.

Section 19. Treatment of Alternate Bonds as Debt. The Alternate Bonds shall be payable from the Pledged Moneys and do not and shall not constitute an indebtedness of the Commission within the meaning of any constitutional or statutory limitation unless the Pledged

Taxes shall be extended pursuant to the general obligation, full faith and credit promise supporting the Alternate Bonds, as set forth in Section 23 hereof, in which case the amount of the Alternate Bonds then Outstanding shall be included in the computation of indebtedness of the Commission for purposes of all statutory provisions or limitations until such time as an audit of the Commission shall show that the Alternate Bonds have been paid from the Pledged Revenues for a complete Fiscal Year in accordance with the Debt Reform Act.

Section 20. Sale of the Alternate Bonds. The Chairman and the other Commissioner of the Board (the “*Designated Representatives*”) are hereby authorized to proceed not later than the 31st day of December, 2018, without any further authorization or direction from the Board, to sell and deliver the Alternate Bonds in one or more Series upon the terms as prescribed in this Ordinance. The Alternate Bonds hereby authorized shall be executed as in this Ordinance provided as soon after the delivery of the Alternate Bond Notification as may be, and thereupon be deposited with the Treasurer, and, after authentication thereof by the Bond Registrar, be by the Treasurer delivered to Citigroup Global Markets Inc. and the underwriting syndicate set forth in the Alternate Bond Notification, the purchaser thereof (the “*Purchaser*”), upon receipt of the purchase price therefor, the same being not less than 98% of the principal amount of the Alternate Bonds (net of original issue discount) plus accrued interest, if any, to date of delivery.

Prior to the sale of the Alternate Bonds, the Chairman or the Superintendent is hereby authorized to approve and execute a commitment for the purchase of a Municipal Bond Insurance Policy (as hereinafter defined), to further secure the Alternate Bonds, as long as the present value of the fee to be paid for the Municipal Bond Insurance Policy (using as a discount rate the expected yield on the Alternate Bonds treating the fee paid as interest on the Alternate Bonds) is less than the present value of the interest reasonably expected to be saved on the

Alternate Bonds over the term of the Alternate Bonds as a result of the Municipal Bond Insurance Policy.

Upon the sale of the Alternate Bonds, the Designated Representatives shall prepare a Notification of Sale of the Alternate Bonds, which shall include the pertinent details of sale as provided herein (the "*Alternate Bond Notification*"). In the Alternate Bond Notification, the Designated Representatives shall find and determine that the Alternate Bonds have been sold at such price and bear interest at such rates that either the true interest cost (yield) or the net interest rate received upon the sale of the Alternate Bonds does not exceed the maximum rate otherwise authorized by applicable law. The Alternate Bond Notification shall be entered into the records of the Commission and made available to the Board at the next regular meeting thereof; but such action shall be for information purposes only, and the Board shall have no right or authority at such time to approve or reject such sale as evidenced in the Alternate Bond Notification.

Upon the sale of the Alternate Bonds, as evidenced by the execution and delivery of the Alternate Bond Notification by the Designated Representatives, the Chairman, Treasurer, and Clerk and any other officers of the Commission, as shall be appropriate, shall be and are hereby authorized and directed to approve or execute, or both, such documents of sale of the Alternate Bonds as may be necessary, including, without limitation, the contract for the sale of the Alternate Bonds between the Commission and the Purchaser (the "*Purchase Contract*"). Prior to the execution and delivery of the Purchase Contract, the Designated Representatives shall find and determine that no person holding any office of the Commission either by election or appointment, is in any manner financially interested directly in his own name or indirectly in the name of any other person, association, trust or corporation, in the Purchase Contract.

The use by the Purchaser of any Preliminary Official Statement and any final Official Statement relating to the Alternate Bonds (the "*Official Statement*") is hereby ratified, approved

and authorized; the execution and delivery of the Official Statement is hereby authorized; and the officers of the Board are hereby authorized to take any action as may be required on the part of the Commission to consummate the transactions contemplated by the Purchase Contract, this Ordinance, said Preliminary Official Statement, the Official Statement and the Alternate Bonds.

Section 21. Sale of the IEPA Bonds; IEPA Loan Agreements. The Designated Representatives are hereby authorized to proceed not later than the 31st day of December, 2018, without any further authorization or direction from the Board, to sell and deliver the IEPA Bonds in one or more Series upon the terms as prescribed in this Ordinance. The IEPA Bonds hereby authorized shall be executed as in this Ordinance provided as soon after the delivery of the IEPA Bond Notification as may be, and thereupon be deposited with the Treasurer, and, after authentication thereof by the Bond Registrar, be by the Treasurer delivered to the purchaser thereof, namely, the IEPA, all in accordance with the provisions of one or more Loan Agreements, in the form as previously approved by the Board, hereby ratified, approved, and confirmed, by and between the IEPA and the Commission, the Chairman being hereby authorized to execute any such Loan Agreement.

Further, the Board hereby authorizes acceptance of the offer of a loan through the Loan Program, including all terms and conditions of each Loan Agreement as well as all special conditions contained therein and made a part thereof by reference. The Board further agrees that the loan funds awarded shall be used solely for the purposes of the Project as approved by the IEPA in accordance with the terms of each Loan Agreement. Any of the officers and officials of the Commission shall be authorized to take all necessary action to complete the borrowing in accordance with the terms of a Loan Agreement.

To the extent permitted by law, and so long as the IEPA is the registered owner of the IEPA Bonds, the Commission and this Ordinance shall be subject to the Loan Agreement.

Upon the sale of the IEPA Bonds, the Designated Representatives shall prepare a Notification of Sale of the IEPA Bonds, which shall include the pertinent details of sale as provided herein (the "*IEPA Bond Notification*" and together with the Alternate Bond Notification, the "*Bond Notification*"). In the IEPA Bond Notification, the Designated Representatives shall find and determine that the IEPA Bonds have been sold at such price and bear interest at such rate that either the true interest cost (yield) or the net interest rate received upon the sale of the IEPA Bonds does not exceed the maximum rate otherwise authorized by applicable law. The IEPA Bond Notification shall be entered into the records of the Commission and made available to the Board at the next regular meeting thereof; but such action shall be for information purposes only, and the Board shall have no right or authority at such time to approve or reject such sale as evidenced in the IEPA Bond Notification.

It is hereby found and determined that no person holding any office of the Commission, either by election or appointment, is in any manner interested, either directly or indirectly, in his or her own name or in the name of any other person, association, trust or corporation, in said contract for the purchase of the IEPA Bonds.

Section 22. Use of Proceeds, Construction Fund. The proceeds derived from the sale of the Bonds shall be used as follows:

A. Accrued interest, if any, received upon the delivery of the Alternate Bonds and capitalized interest up to the amount of not to exceed \$6,000,000, as set for in the Alternate Bond Notification, shall be credited to the Alternate Bond and Interest Account and applied to the payment of interest on the Alternate Bonds through June 1, 2019.

B. To the fullest extent practicable, approved costs of issuance of the Bonds shall be paid from Bond proceeds directly upon the delivery of the Bonds, and the Treasurer shall provide for same.

C. The remaining funds shall be set aside in a separate fund hereby created and designated as the "*Construction Fund*," which shall be held within the Water Fund. Money shall be paid out of the Construction Fund from time to time by the Treasurer only upon submission by the Treasurer of the following:

1. If such withdrawal of funds by the Treasurer is for payment to a supplier, materialman, or contractor for work done in connection with the Project, a payment order and certificate executed by the engineer in charge of the construction of the Project (or relevant portion) stating the amount of materials supplied or the nature of the work completed, that such materials have been properly accepted or such work approved by him, the amount due and payable thereon, and the amount remaining to be paid in connection with the Project (or relevant portion); and

2. A claim ordinance duly adopted by the Board stating specifically the purpose for which the payment order has been issued and indicating that the payment for which the order has been issued has been approved by the Board.

Within 60 days after full depletion of the Construction Fund or payment of all costs of the Project, as herein referred to, and as heretofore approved by the Board, the Treasurer shall certify to the Board the fact of such depletion or the engineer in responsible overall charge of the Project shall certify to the Board the fact that the work has been completed according to approved plans and specifications, as applicable, and upon approval of such certification by the Board, funds (if any) remaining in the Construction Fund shall be applied as a credit to the Alternate Bond and Interest Account; and the Construction Fund shall be closed. Funds on deposit in the Construction Fund may be invested by the Treasurer in the same manner as provided in Section 15(j) of this Ordinance for unallocated money in the Fund.

Section 23. Pledged Taxes; Tax Levy. For the purpose of providing necessary funds to pay the principal of and interest on the Alternate Bonds when due or as subject to mandatory redemption, and as provided in Section 15 of the Debt Reform Act, there is hereby levied upon all of the taxable property within the Commission, in the years for which any of the Alternate Bonds are outstanding (namely, 2018 through 2051), a direct annual tax sufficient for that purpose in a yearly amount not to exceed \$7,000,000 (the "Pledged Taxes"). Such levy shall be fully set forth in the Alternate Bond Notification; and if there shall be more than one series of the Alternate Bonds, the levy for each such series shall be set forth in the Alternate Bond Notification therefor.

There is hereby created a special fund of the Commission, which fund shall be held separate and apart from all other funds and accounts of the Commission and shall be known as the Bond Fund. The purpose of the Bond Fund is to provide a fund to receive and disburse the Pledged Taxes for the Alternate Bonds. All payments made with respect to the Alternate Bonds from the Pledged Revenues shall be made directly from the Alternate Bond and Interest Account of the Water Fund. The Bond Fund constitutes a trust fund established for the purpose of carrying out the covenants, terms, and conditions imposed upon the Commission by this Ordinance. Any Pledged Taxes received by the Commission shall promptly be deposited into the Bond Fund. Pledged Taxes on deposit to the credit of the Bond Fund shall be fully spent to pay the principal of and interest on the Alternate Bonds prior to use of any moneys on deposit in the Alternate Bond and Interest Account of the Water Fund.

Interest or principal coming due at any time when there are insufficient funds on hand from the aforesaid sources dedicated to the payment of the same shall be paid promptly when due from current funds on hand in advance of the collection of such monies; and when such monies shall have been collected, reimbursement shall be made to said funds in the amount so

advanced. The Commission covenants and agrees with the purchasers and registered owners of the Alternate Bonds that so long as any of the Alternate Bonds remain outstanding, the Commission will take no action or fail to take any action which in any way would adversely affect the ability of the Commission to levy and collect the Pledged Taxes. The Commission and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes, to the extent necessary, may be levied, extended and collected as provided herein and deposited into the Bond Fund.

Pursuant to Section 13 of the Debt Reform Act, the moneys deposited or to be deposited into the Bond Fund, including any tax receipts derived from the Pledged Taxes, are pledged as security for the payment of the Alternate Bonds. While any Alternate Bonds remain outstanding and unpaid, the Pledged Taxes are for the sole benefit of the owners of the outstanding Alternate Bonds and such owners shall have and are granted a security interest in, and a lien upon, all rights, claims and interests of the Commission arising pursuant to those levies and all present and future proceeds of such levies. The security interest in and lien upon those rights, claims and interests are immediately valid and binding from the time the Alternate Bonds are issued, and shall immediately attach to (a) the tax receipts of the Pledged Taxes wherever held, and (b) amounts held in the Bond Fund without any physical delivery or further act and the lien of such pledge shall be immediately valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Commission or against the funds, rights, claims or interests pledged hereby irrespective of whether such parties have notice thereof. The pledge is an agreement between the Commission and the Alternate Bondholders to provide security for the Alternate Bonds in addition to any statutory lien.

Section 24. Filing with County Clerk. After this Ordinance becomes effective, a copy hereof, certified by the Clerk, shall be filed with the County Clerk. The County Clerk, pursuant

to authority set forth in the Enabling Law, shall in and for each of the years required ascertain the rate percent required to produce the aggregate Pledged Taxes hereinbefore provided to be levied in each of said years; and the County Clerk shall extend the same for collection on the tax books; and the County Clerk, or other appropriate officer or designee, shall remit the Pledged Taxes for deposit to the credit of the Bond Fund, and in said years the Pledged Taxes shall be levied and collected by and for and on behalf of the Commission. The Pledged Taxes are hereby irrevocably pledged to and shall be used only for the purpose of paying principal of and interest on the Alternate Bonds.

Section 25. Abatement of Pledged Taxes. At the time of the delivery of any of the Alternate Bonds, an amount of lawfully available funds sufficient (when added to accrued interest and capitalized interest) to pay the interest on the Alternate Bonds up to and including June 1, 2019, shall be set aside in the Alternate Bond and Interest Account and be used for the purpose of paying such interest. For the purpose of providing Pledged Revenues in each year sufficient to pay debt service of all Outstanding Alternate Bonds for such year, the Commission agrees and covenants to make provision therefor in the Commission's annual budget and appropriation ordinance to be duly adopted by the Board, all in the manner, form, and time as provided by law. Prior to the deadline for the timely annual abatement of the Pledged Taxes, but in no event *earlier* than December 1st of the year in which such Pledged Taxes are levied (*i.e.*, the year prior to extension and collection), the Treasurer shall determine that the amount necessary to provide for the payment of interest and principal coming due on the Alternate Bonds otherwise payable from the proceeds of such tax levy in the next Bond Year has been deposited into the Alternate Bond and Interest Account. Upon (but in no event prior to) the determination by the Treasurer, the Board or the officers of the Commission acting with proper

authority shall direct the abatement of such levy of Pledged Taxes to the extent of the moneys on deposit in the Alternate Bond and Interest Account.

Section 26. General Tax Covenants. The Commission hereby covenants that it will not take any action, omit to take any action or permit the taking or omission of any action within its control (including, without limitation, making or permitting any use of the proceeds of the Alternate Bonds) if taking, permitting or omitting to take such action would cause any of the Alternate Bonds to be an arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause the interest on the Alternate Bonds to be included in the gross income of the recipients thereof for federal income tax purposes. The Commission acknowledges that, in the event of an examination by the Internal Revenue Service (the "IRS") of the Alternate Bonds, under present rules, the Commission may be treated as the "taxpayer" in such examination and agrees that it will respond in a commercially reasonable manner to any inquiries from the IRS in connection with such an examination.

The Commission also agrees and covenants with the purchasers and holders of the Alternate Bonds from time to time outstanding that, to the extent possible under Illinois law, it will comply with whatever federal tax law is adopted in the future which applies to the Alternate Bonds and affects the tax-exempt status of the Alternate Bonds.

The Board hereby authorizes the officials of the Commission responsible for issuing the Alternate Bonds, the same being the Chairman, Clerk and Treasurer, to make such further covenants and certifications as may be necessary to assure that the use thereof will not cause the Alternate Bonds to be arbitrage bonds and to assure that the interest on the Alternate Bonds will be exempt from federal income taxation. In connection therewith, the Commission and the Board further agree: (a) through their officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to

consult with counsel approving the Alternate Bonds and to comply with such advice as may be given; (c) to pay to the United States of America, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Alternate Bonds; (d) to file such forms, statements, and supporting documents as may be required and in a timely manner; and (e) if deemed necessary or advisable by their officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the Commission in such compliance.

Section 27. IEPA Tax Certificate. The interest of the IEPA Bonds will not be tax-exempt. The Commission agrees and covenants with the IEPA that, upon request, and prior to the execution of a Loan Agreement, it will submit to the IEPA a tax certificate as provided by the IEPA concerning the IEPA Bonds and applicable federal tax law that applies to the IEPA Bonds. In connection therewith, the Commission and the Board further agree: (a) through their officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to consult with counsel approving the IEPA Bonds and to comply with such advice as may be given; (c) to file such forms, statements, and supporting documents as may be required and in a timely manner; and (e) if deemed necessary or advisable by their officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the Commission.

Section 28. Bank Qualification. All or a portion of any Series of Alternate Bonds, if any, may be issued as “bank qualified bonds” in an amount or amounts not to exceed \$10,000,000 as set forth in the Alternate Bond Notification therefor (collectively, the “*BQ Bonds*”). The BQ Bonds are designated as “qualified tax-exempt obligations” for the purposes and within the meaning of Section 265(b)(3) of the Code.

Section 29. List of Bondholders. The Bond Registrar shall maintain a list of the names and addresses of the holders of all Bonds and upon any transfer shall add the name and address of the new Bondholder and eliminate the name and address of the transferor Bondholder.

Section 30. Duties of Bond Registrar. If requested by the Bond Registrar, the Chairman and Clerk are authorized to execute the Bond Registrar's standard form of agreement between the Commission and the Bond Registrar with respect to the obligations and duties of the Bond Registrar hereunder which may include the following:

(a) to act as bond registrar, authenticating agent, paying agent and transfer agent as provided herein;

(b) to maintain a list of Bondholders as set forth herein and to furnish such list to the Commission upon request, but otherwise to keep such list confidential;

(c) to give notice of redemption of the Bonds as provided herein;

(d) to cancel and/or destroy Bonds which have been paid at maturity or submitted for exchange or transfer;

(e) to furnish the Commission at least annually a certificate with respect to Bonds cancelled and/or destroyed; and

(f) to furnish the Commission at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds.

Section 31. Continuing Disclosure Undertaking. The Chairman or Clerk is hereby authorized, empowered and directed to execute and deliver a Continuing Disclosure Undertaking (the "*Continuing Disclosure Undertaking*") in connection with the issuance of the Alternate Bonds, with such provisions therein as he or she shall approve, his or her execution thereof to constitute conclusive evidence of his or her approval of such provisions. When the Continuing Disclosure Undertaking is executed and delivered on behalf of the Commission as herein provided, the Continuing Disclosure Undertaking will be binding on the Commission and the officers, employees and agents of the Commission, and the officers, employees and agents of the Commission are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this

Ordinance, the sole remedies for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Alternate Bond to seek mandamus or specific performance by court order, to cause the Commission to comply with its obligations under the Continuing Disclosure Undertaking.

Section 32. Record-Keeping Policy and Post-Issuance Compliance Matters. It is necessary and in the best interest of the Commission to maintain sufficient records to demonstrate compliance with its covenants and expectations to ensure the appropriate federal tax status for the Alternate Bonds and other debt obligations of the Commission, the interest on which is excludable from “gross income” for federal income tax purposes or which enable the Commission or the holder to receive federal tax benefits, including, but not limited to, qualified tax credit bonds and other specified tax credit bonds (including the Alternate Bonds, the “*Tax Advantaged Obligations*”). Further, it is necessary and in the best interest of the Commission that (i) the Board adopt policies with respect to record-keeping and post issuance compliance with the Commission’s covenants related to its Tax Advantaged Obligations and (ii) the Compliance Officer (as hereinafter defined) at least annually review the Commission’s Contracts (as hereinafter defined) to determine whether the Tax Advantaged Obligations comply with the federal tax requirements applicable to each issue of the Tax Advantaged Obligations. The Board and the Commission hereby adopt the following Record-Keeping Policy:

(a) *Compliance Officer Is Responsible for Records.* The Superintendent (the “*Compliance Officer*”) is hereby designated as the keeper of all records of the Commission with respect to each issue of the Tax Advantaged Obligations, and such officer shall report to the Board at least annually that he/she has all of the required records in his/her possession, or is taking appropriate action to obtain or recover such records.

(b) *Closing Transcripts.* For each issue of Tax Advantaged Obligations, the Compliance Officer shall receive, and shall keep and maintain, a true, correct and complete counterpart of each and every document and agreement delivered in connection with the issuance of the Tax Advantaged Obligations, including without limitation (i) the

proceedings of the Commission authorizing the Tax Advantaged Obligations, (ii) any offering document with respect to the offer and sale of the Tax Advantaged Obligations, (iii) any legal opinions with respect to the Tax Advantaged Obligations delivered by any lawyers, and (iv) all written representations of any person delivered in connection with the issuance and initial sale of the Tax Advantaged Obligations.

(c) *Arbitrage Rebate Liability.* The Compliance Officer shall review the agreements of the Commission with respect to each issue of Tax Advantaged Obligations and shall prepare a report for the Board stating whether or not the Commission has any rebate liability to the United States Treasury, and setting forth any applicable exemptions that each issue of Tax Advantaged Obligations may have from rebate liability. Such report shall be updated annually and delivered to the Board.

(d) *Recommended Records.* The Compliance Officer shall review the records related to each issue of Tax Advantaged Obligations and shall determine what requirements the Commission must meet in order to maintain the tax-exemption of interest paid on its Tax Advantaged Obligations, its entitlement to direct payments by the United States Treasury of the applicable percentages of each interest payment due and owing on its Tax Advantaged Obligations, and applicable tax credits or other tax benefits arising from its Tax Advantaged Obligations. The Compliance Officer shall then prepare a list of the contracts, requisitions, invoices, receipts and other information that may be needed in order to establish that the interest paid on the Tax Advantaged Obligations is entitled to be excluded from “gross income” for federal income tax purposes, that the Commission is entitled to receive from the United States Treasury direct payments of the applicable percentages of interest payments coming due and owing on its Tax Advantaged Obligations, and the entitlement of holders of any Tax Advantaged Obligations to any tax credits or other tax benefits, respectively. Notwithstanding any other policy of the Commission, such retained records shall be kept for as long as the Tax Advantaged Obligations relating to such records (and any obligations issued to refund the Tax Advantaged Obligations) are outstanding, plus three years, and shall at least include:

(i) complete copies of the transcripts delivered when any issue of Tax Advantaged Obligations is initially issued and sold;

(ii) copies of account statements showing the disbursements of all Tax Advantaged Obligation proceeds for their intended purposes, and records showing the assets and other property financed by such disbursements;

(iii) copies of account statements showing all investment activity of any and all accounts in which the proceeds of any issue of Tax Advantaged Obligations has been held or in which funds to be used for the payment of principal of or interest on any Tax Advantaged Obligations has been held, or which has provided security to the holders or credit enhancers of any Tax Advantaged Obligations;

(iv) copies of all bid requests and bid responses used in the acquisition of any special investments used for the proceeds of any issue of Tax Advantaged Obligations, including any swaps, swaptions, or other financial derivatives entered into in order to establish that such instruments were purchased at *fair market value*;

(v) copies of any subscriptions to the United States Treasury for the purchase of State and Local Government Series (SLGS) obligations;

(vi) any calculations of liability for *arbitrage rebate* that is or may become due with respect to any issue of Tax Advantaged Obligations, and any calculations prepared to show that no arbitrage rebate is due, together, if applicable, with account statements or cancelled checks showing the payment of any rebate amounts to the United States Treasury together with any applicable IRS Form 8038-T; and

(vii) copies of all contracts and agreements of the Commission, including any leases (the "*Contracts*"), with respect to the use of any property owned by the Commission and acquired, constructed or otherwise financed or refinanced with the proceeds of the Tax Advantaged Obligations effective at any time when such Tax Advantaged Obligations are, will or have been outstanding. Copies of contracts covering no more than 50 days of use and contracts related to Commission employees need not be retained.

(e) *IRS Examinations or Inquiries.* In the event the IRS commences an examination of any issue of Tax Advantaged Obligations or requests a response to a compliance check, questionnaire or other inquiry, the Compliance Officer shall inform the Board of such event, and is authorized to respond to inquiries of the IRS, and to hire outside, independent professional counsel to assist in the response to the examination or inquiry.

(f) *Annual Review.* The Compliance Officer shall conduct an annual review of the Contracts and other records to determine for each issue of Tax Advantaged Obligations then outstanding whether each such issue complies with the federal tax requirements applicable to such issue, including restrictions on private business use, private payments and private loans. The Compliance Officer is expressly authorized, without further official action of the Board, to hire outside, independent professional counsel to assist in such review. To the extent that any violations or potential violations of federal tax requirements are discovered incidental to such review, the Compliance Officer may make recommendations or take such actions as the Compliance Officer shall reasonably deem necessary to assure the timely correction of such violations or potential violations through remedial actions described in the United States Treasury Regulations, or the Tax Exempt Bonds Voluntary Closing Agreement Program described in Treasury Notice 2008-31 or similar program instituted by the IRS.

(g) *Training.* The Compliance Officer shall undertake to maintain reasonable levels of knowledge concerning the rules related to tax-exempt bonds (and build America bonds and tax credit bonds to the extent the Commission has outstanding build America bonds or tax-credit bonds) so that such officer may fulfill the duties described in this Section. The Compliance Officer may consult with counsel, attend conferences and presentations of trade groups, read materials posted on various web sites, including the web site of the Tax-Exempt Bond function of the IRS, and use other means to maintain such knowledge. Recognizing that the Compliance Officer may not be fully knowledgeable in this area, the Compliance Officer may consult with outside counsel, consultants and experts to assist him or her in exercising his or her duties hereunder. The Compliance Officer will endeavor to make sure that the Commission's staff is aware of the need for continuing compliance. The Compliance Officer will provide copies of this Ordinance and the Tax Exemption Certificate and Agreement or other applicable tax documents for each series of Tax Advantaged Obligations then currently outstanding (the "*Tax Agreements*") to staff members who may be responsible for taking actions described in such documents. The Compliance Officer should assist in the education of any new Compliance Officer and the transition of the duties under these procedures. The Compliance Officer will review this Ordinance and each of the Tax Agreements periodically to determine if there are portions that need further explanation and, if so, will attempt to obtain such explanation from counsel or from other experts, consultants or staff.

(h) *Amendment and Waiver.* The procedures described in this Section are only for the benefit of the Commission. No other person (including an owner of a Tax Advantaged Obligation) may rely on the procedures included in this Section. The Commission may amend this Section and any provision of this Section may be waived, without the consent of the holders of any Tax Advantaged Obligations and as authorized by passage of an ordinance by the Board. Additional procedures may be required for Tax Advantaged Obligations the proceeds of which are used for purposes other than capital governmentally owned projects or refundings of such, including tax increment financing bonds, bonds financing output facilities, bonds financing working capital, or private activity bonds. The Commission also recognizes that these procedures may need to be revised in the event the Commission enters into any derivative products with respect to its Tax Advantaged Obligations.

Section 33. Municipal Bond Insurance. In the event the payment of principal and interest on the Alternate Bonds is insured pursuant to a municipal bond insurance policy (the "*Municipal Bond Insurance Policy*") issued by a bond insurer (the "*Bond Insurer*"), and as long as such Municipal Bond Insurance Policy shall be in full force and effect, the Commission and the Bond Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of the Alternate Bonds, subrogation of the rights of the Bondholders to

the Bond Insurer upon payment of the Alternate Bonds by the Bond Insurer, amendment hereof, or other terms, as approved by the Chairman on advice of counsel, his or her approval to constitute full and complete acceptance by the Commission of such terms and provisions under authority of this Section.

Section 34. Letters of Credit and Surety Bonds. The Commission reserves the right to provide one or more irrevocable letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies or surety bonds or similar instruments (for purposes hereof, collectively, "*Instruments*") (including Qualified Reserve Account Instruments), or a combination thereof to secure the payment of the principal of, premium, if any, and interest on one or more series of Outstanding Bonds or Parity Bonds, or in the event owners of such Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Bonds upon the demand of the owners thereof. In connection with any such Instruments, the Commission may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Instruments and the method by which the Commission will reimburse the issuer of such Instruments for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the Commission and the issuer of such Instruments. Any such obligation of the Commission to reimburse or otherwise make payments to the issuer of such Instruments securing a series of Outstanding Bonds or Parity Bonds shall be payable from the Senior Bond and Interest Account or Junior Bond and Interest Account, as applicable, under this Ordinance to the same extent as any series of Outstanding Bonds or Parity Bonds, and any and all amounts payable by the Commission to reimburse the issuer of any such Instruments, together with interest thereon, shall for purposes of this Ordinance be deemed to constitute the payment of principal of, premium, if any, and interest on Outstanding Bonds or Parity Bonds.

Section 35. Provisions a Contract. The provisions of this Ordinance shall constitute a contract between the Commission and the holders and registered owners of the Outstanding Bonds; and no changes, additions, or alterations of any kind shall be made hereto, except as herein provided, so long as there are any Outstanding Bonds.

Section 36. Defeasance. IEPA Bonds which are no longer Outstanding IEPA Bonds shall cease to have any lien on or right to receive or be paid from Revenues and shall no longer have the benefits of any covenant for the holders or registered owners of Outstanding IEPA Bonds as set forth herein. Alternate Bonds which are no longer Outstanding Alternate Bonds shall cease to have any lien on or right to receive or be paid from Pledged Revenues and shall no longer have the benefits of any covenant for the registered owners of Outstanding Alternate Bonds as set forth herein as such relates to lien and security for the Alternate Bonds in the Pledged Revenues.

Section 37. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 38. Superseder. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are to the extent of such conflict hereby superseded.

Section 39. *Effective Date.* This Ordinance shall be in full force and effect forthwith upon its adoption.

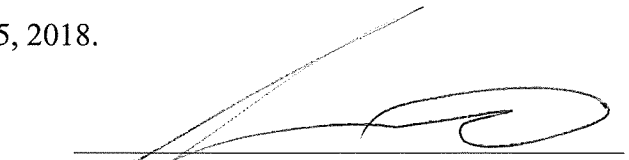
PASSED by the Board of Commissioners on January 25, 2018.

AYES: Vinezeano, Pietron

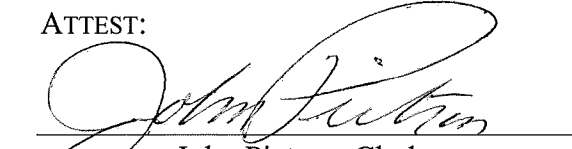
NAYS: None

ABSENT: None

APPROVED BY THE CHAIRMAN: January 25, 2018.



Steven Vinezeano, Chairman,
Morton Grove-Niles Water Commission,
Cook County, Illinois

ATTEST:


John Pietron, Clerk,
Morton Grove-Niles Water
Commission, Cook County, Illinois

[SEAL]