
ORDINANCE NUMBER O10-003

AN ORDINANCE authorizing the sale of \$500,000,000 General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, the execution of one or more bond orders in connection therewith, and the levy of a direct annual tax in an amount to pay the principal of and interest on said bonds.

Adopted by the Board of Commissioners
of the Metropolitan Water Reclamation
District of Greater Chicago on the 21st
day of October 2010

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P R E A M B L E S

— WHEREAS —

A. The Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois (the “*District*”) is a duly organized and operating sanitary district, body politic and corporate, and unit of local government district under the constitution and laws of the State of Illinois.

B. The District operates, *inter alia*, under the following Illinois acts and laws, in each case as amended:

1. the Metropolitan Water Reclamation District Act (the “*Act*”);
2. the Local Government Debt Reform Act (the “*Debt Reform Act*”) relating to borrowing; and
3. the Property Tax Extension Limitation Law (the “*Limitation Law*”) relating to certain ad valorem property tax limits.

C. The District is governed by a duly constituted nine-member Board of Commissioners (the “*Board*”), and the tax extension officer for the District is the County Clerk (the “*County Clerk*”) of The County of Cook, Illinois (the “*County*”).

D. Pursuant to the provisions of Section 9.6a of the Act, the Board is authorized to issue bonds to provide funds required for the replacing, remodeling, completing, altering, constructing and enlarging of sewage treatment works, water quality improvement projects, or

flood control facilities, and additions therefor, including, but not limited to, the construction of pumping stations, tunnels, conduits, intercepting sewers and outlet sewers, together with the equipment, including air pollution equipment, and appurtenances thereto, to acquire property, real, personal or mixed, necessary for said purposes, and for costs and expenses for the acquisition of the sites and rights-of-way necessary thereto, and for engineering expenses for designing and supervising the construction of such works and other related and incidental expenses (collectively, the “*Capital Improvement Purposes*”), which said Section 9.6a, as amended (including the effect of Public Act 96-1308, effective January 1, 2011), authorizes the issuance of bonds for such purposes on or before December 31, 2024, without a referendum, in an aggregate amount at any one time outstanding not to exceed 3.35% of the equalized assessed valuation of all taxable property within the District; *provided*, that the amount of such bonds issued during any one budget year shall not exceed \$150,000,000, plus the amount of any bonds authorized by said section to be issued during the three budget years next preceding the year of issuance but which were not issued; *but, provided, further*, that (i) from and after January 1, 1992, such limitation has not been applicable to certain obligations issued to provide for the repayment of money received from the Water Pollution Control Revolving Fund of the State of Illinois for the construction or repair of wastewater treatment works and (ii) such limitation is not applicable to obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, that are commonly known as “Build America Bonds” as authorized by Section 54AA of the Internal Revenue Code of 1986, as amended.

E. The Board has considered the conditions of the plant and equipment of the District and the work and acquisitions which are Capital Improvement Purposes which are necessary or advisable in order to serve the needs of the residents and the mission of the District (the “*Projects*”).

F. The Board has previously found and determined and does hereby affirm that the estimated costs of the Projects, as projected over a period not longer than the next five years, are in excess of \$500,000,000; and there are insufficient funds of the District on hand and lawfully available to pay the costs of the Projects.

G. The Board deems it necessary and advisable that additional bonds of the District in the amount of \$500,000,000 be authorized to be issued at this time, of which the series of bonds herein authorized is \$500,000,000; and that the aggregate amount of bonds of the District now outstanding and unpaid, together with all bonds now proposed to be authorized, will not exceed the applicable limitations imposed by law.

H. The bonds herein to be authorized are non-referendum general obligation bonds, the taxes for which are subject to the limitations set forth in the Limitation Law; and, accordingly, the bonds shall be issued as “limited bonds” under the provisions of Section 15.01 of the Debt Reform Act.

I. The bonds herein authorized are general obligation bonds; and the Board has previously called, noticed, and held a hearing with respect to the sale of the Bonds pursuant to the provisions of the Bond Issue Notification Act, as amended, and such hearing was duly adjourned not less than seven days ago.

J. Certain additional powers in the issuance of bonds are granted to units of local government, including the District, pursuant to the provisions of the Debt Reform Act, and it is the intention of the District to issue the bonds hereinafter authorized in part pursuant to the provisions of the Debt Reform Act in order to avail of the additional powers so granted.

K. The bonds herein authorized may be issued in one or more series and may be issued as (i) bonds which are tax-exempt pursuant to the provisions of Section 103(c) of the Internal Revenue Code of 1986, (ii) as bonds the interest on which is taxable pursuant to the provisions of

the American Recovery and Reinvestment Act of 2009, which permits the District to obtain certain tax credit advantages when issuing certain taxable obligations, referred to as “build America bonds,” or (iii) as bonds the interest on which is taxable because the District must fund certain Capital Improvement Purposes which purposes are not eligible for tax-exempt or build America bond financing.

NOW THEREFORE BE IT AND IT IS HEREBY ORDAINED by the Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, as follows:

Section 1. Definitions. A. Words and terms used in this Ordinance shall have the meanings assigned 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.

“Act” is defined in the preambles.

“Available Base” means the amount of Extension of taxes available to the District in any given Calendar Year under the Debt Service Extension Base, after subtracting Extensions for all previously issued bonds the Extension for which will be chargeable against the Debt Service Extension Base in such year.

“Authorized Denominations” means \$5,000 and integral multiples of \$5,000, subject to factoring by DTC while in Book Entry Form, and, if not in such form, one Bond for each Bondowner may be in any denomination to accommodate pro rata redemption.

“Board” is defined in the preambles.

“Bond Fund” means the Bond Fund created in (Section 15 of) this Ordinance.

“Bond Order” means a bond order, to be executed by any two of the Designated Officers acting together, and setting forth certain details of a series of the Bonds as provided in (Section 13 of) this Ordinance.

“Bond Purchase Agreement” is defined in (Section 13 of) this Ordinance.

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

“Bond Registrar” means a bank, trust company, or national banking association maintaining an office for registration, transfer, and payment of bonds in the City of Chicago, Illinois, or in the City of New York, Borough of Manhattan, New York and either (a) having capital, surplus and undivided profits in excess of \$100,000,000 or (b) which has been selected as a bond registrar or paying agent for a prior District bond issue within the past three (3) years; duly authorized to do business as a bond registrar and paying agent with the powers and duties as herein set forth, and as set forth in a Bond Order for a series of Bonds; or a successor thereto or a successor designated as bond registrar and paying agent hereunder.

“Bonds” means the bonds authorized under this Ordinance and to be issued in one or more series pursuant to this Ordinance and pursuant to one or more Bond Orders, including bonds issued in exchange for or upon transfer or replacement of bonds previously issued under this Ordinance.

“Book Entry Form” means the form of the Bonds as fully registered and available in physical form only to the Depository.

“Build America Bonds” means taxable bonds authorized by the Stimulus Act and as so designated pursuant to this Ordinance, the interest on which, but for Section 54AA of the Code, would be excludable from gross income of the owners thereof under the Code for federal income tax purposes.

“*Business Day*” means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its principal corporate trust office are required or authorized to close.

“*Capital Improvement Purposes*” is defined in the preambles.

“*Clerk*” means the Clerk of the District.

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

“*County*” is defined in the preambles.

“*County Clerk*” is defined in the preambles.

“*Current Collection*” means the taxes in fact received by the District from the County Treasurer from a given Extension up to the date payment is due upon bonds, which payment is to be made from such Extension, plus that amount, if any, received in the year preceding such payment date as the collection of delinquent taxes from prior years allocable to the levy for all Limited Bonds of the District and General Funds.

“*Debt Reform Act*” is defined in the preambles.

“*Debt Service Extension Base*” means the debt service extension base of the District as provided by the Limitation Law, currently, \$145,428,729, and as subject to change from time to time.

“*Defeased Bonds*” means such bonds as are described and defined by such term in (Section 21 of) this Ordinance.

“*Depository*” or “*DTC*” means The Depository Trust Company or successor depository duly qualified to act as a securities depository and acceptable to the District.

“*Designated Officers*” means the officers of the District as follows:

President of the Board (elective), Treasurer of the District (appointive),
Vice-President of the Board (elective), Executive Director (appointive) and Clerk

(appointive); *provided* that any act required of more than one of such officers shall be done by not less than one elected officer and one appointive officer.

“*District*” is defined in the preambles.

“*Extension*” means the amount of taxes in fact extended for collection by the County Clerk based upon a levy, which extension is calculable by the sum of taxable property multiplied by the rate (in percent, mills or decimal, as appropriate) of taxation applied for such levy.

“*Extraordinary Event*” means a change that has occurred to Section 54AA or 6431 of the Code (as such sections were added by Section 1531 of the Stimulus Act, pertaining to Qualified Build America Bonds) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the District’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated, and which is not the result of any act or omission by the District to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Treasury.

“*Future Limited Bonds*” means Limited Bonds to be issued by the District in the future.

“*General Funds*” means any and all funds of the District, other than the Bond Fund, from which payments may lawfully be made to pay principal of or interest on the Bonds.

“*Insurer*” means an issuer of a municipal bond or financial guaranty insurance policy issued in connection with the issuance and delivery of the Bonds.

“*Limitation Law*” is defined in the preambles.

“*Limited Bonds*” means limited bonds issued under Section 15.01 of the Debt Reform Act.

“*Loss in Current Collection*” means the difference between an Extension and the Current Collection from such Extension.

“Nonreferendum Base Bonds” means bonds of any kind, other than Limited Bonds, the levy (and resulting Extension) for which is chargeable against (*i.e.*, deductible from) the Debt Service Extension Base in a given year.

“Ordinance” means this Ordinance, numbered as set forth on the title page and adopted by the Board on the 21st day of October 2010.

“Plain Taxable Bonds” means Bonds which are neither Tax-exempt nor Build America Bonds.

“Prior Limited Bonds” means Limited Bonds previously issued for which taxes have been levied which are allocable to the Debt Service Extension Base, the listing of which is on file in the office of the Treasurer.

“Projects” is defined in the preambles.

“Project Fund” means the Project Fund created in (Section 15 of) this Ordinance.

“Purchase Price” means the price to be paid by the Purchasers for the Bonds.

“Purchasers” means the purchasers of the Bonds to be designated hereafter by the Board.

“Qualified Build America Bonds” means Build America Bonds that are “qualified bonds” within the meaning of Section 54AA(g) of the Code, for which an issuer is entitled to apply to receive payments equal to 35% of the interest payable on such bonds on any interest payment date pursuant to Section 6431 of the Code.

“Rebate Fund” means the Rebate Fund authorized to be created in (Section 15 of) this Ordinance.

“Record Date” means the fifteenth day of the month preceding any regular or other interest payment date occurring on the first day of any month and the fifteenth day preceding any

interest payment date occasioned by the redemption of Bonds on other than the first day of a month.

“Representations Letter” means such agreement or agreements by and among the District, the Bond Registrar, and the Depository as shall be necessary to effectuate a book-entry system for the Bonds, and includes the Blanket Letter of Representations previously executed by the District and the Depository.

“Rule” means Rule 15c2-12 as promulgated by the Securities and Exchange Commission, as amended.

“Stated Maturity” means, with respect to amounts due on any Bond, the date specified in such Bond as the fixed date on which the principal of such Bond or such interest is due and payable.

“Stimulus Act” means the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009.

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

“Term Bonds” means Bonds of a given Stated Maturity having portions of the principal due thereon subject to mandatory redemption at an earlier date or dates by operation of the Bond Fund and designated as Term Bonds in the Bond Order for any given series of Bonds.

“Terms of Limitation” means the terms of limitation provided for issuance of the Bonds of all series issued pursuant to this Ordinance, set forth in various sections of this Ordinance, and as set forth as follows:

1. The maximum par amount of the Bonds of all series, collectively, to be issued shall not exceed \$500,000,000. The amount of Bonds which may be issued as Plain Taxable Bonds shall not exceed \$50,000,000.

2. The maximum principal amount of Bonds due or subject to mandatory redemption in any calendar year shall not exceed \$135,000,000.

3. The maximum tax levy for the Bonds shall not exceed the amounts for the years as set forth in (Section 12 of) this Ordinance.

4. The Dated Date of the Bonds shall not be earlier than November 1, 2010, or later than the date of issuance of the Bonds.

5. The rate of interest on the Bonds (or any of the Bonds) shall not exceed 9% if such Bonds are Tax-exempt or 13% if such Bonds are Qualified Build America Bonds or Plain Taxable Bonds.

6. The first interest payment on the Bonds shall occur within one year of the Dated Date.

7. The Bonds shall finally mature not later than December 1, 2040.

8. The Bonds may become subject to optional redemption at a redemption price of not greater than as set forth in (Section 7(B) of) this Ordinance.

9. The Purchase Price of the Bonds shall not be less than 97% of the original principal amount thereof.

10. The compensation to the Purchasers shall not exceed 1% of the aggregate initial reoffering price of the Bonds to the public.

“Treasurer” means the Treasurer of the District.

“Treasury Rate” means as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on the Determination Date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to (i) the remaining average life of the Bonds to be redeemed, or (ii) the period from the redemption date to the Stated Maturity of the Bonds to be redeemed, as shall be determined by the Designated Officers and set forth in the relevant Bond Order; *provided, however,* that if the period from the redemption date to such Stated Maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. *“Determination Date”* means the date which is that number of Business Days prior to the redemption date as shall be set forth in the relevant Bond Order.

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

Section 2. Incorporation of Preambles. The Board finds that all of the recitals contained in the preambles to this Ordinance are full, true, and correct and does incorporate them into this Ordinance by this reference.

Section 3. Authorization. It is hereby found and determined that the Board has been authorized by law to borrow the sum of \$500,000,000 upon the credit of the District and as evidence of such indebtedness to issue at this time bonds in the aggregate principal amount of \$500,000,000 in order to pay the costs of the Projects. The Bonds shall be issued pursuant to the

Act and the Debt Reform Act and, if issued as Qualified Build America Bonds, the Stimulus Act. An amount not to exceed \$50,000,000 of the Bonds may be issued as Plain Taxable Bonds.

Section 4. Bond Details. There shall be borrowed on the credit of and for and on behalf of the District the sum of not to exceed \$500,000,000 for the Projects; and Bonds of the District in one or more series and in not to exceed such amount shall be issued and shall each be designated “[Taxable] General Obligation Capital Improvement Bond, Limited Tax Series of [Month], 2010 [Qualified Build America Bond – Direct Payment]” (or such other designation as shall be set forth in the relevant Bond Order). The Bonds shall be in fully registered form and also in Book Entry Form as more fully described below in (Section 5 of) this Ordinance. The Bonds shall be dated as of a date (the “Dated Date”) not earlier than November 1, 2010, and not later than their initial date of issuance, as shall be set forth in a Bond Order for a given series of the Bonds; each Bond shall also bear its respective date of authentication; and the Bonds shall be numbered consecutively in such reasonable manner as the Bond Registrar shall determine. The Bonds shall become due or be subject to mandatory redemption (subject to right of prior redemption) on such date of each year as shall be designated by the Designated Officers, of such of the years 2012 through 2040 (but not later than December 1, 2040) in the amount of not greater than \$135,000,000 principal amount of Bonds as due at maturity (giving effect to all scheduled mandatory redemptions) or pursuant to mandatory redemption, as shall be set forth in the relevant Bond Order. The Bonds shall bear interest at not greater than nine percent (9%) per annum if such Bonds are Tax-exempt or thirteen percent (13%) per annum if such Bonds are either Qualified Build America Bonds or Plain Taxable Bonds. The Bonds shall be in Authorized Denominations (but no single such bond shall represent principal maturing on more than one date). Each Bond shall bear interest from the later of its Dated Date or from the most recent interest payment date to which interest has been paid or duly provided for, commencing

on a date within one year of the Dated Date, as shall be set forth in the relevant Bond Order, and upon regular semiannual intervals thereafter, at the respective rates percent per annum provided, until the principal thereof shall be paid or duly provided for. So long as the Bonds are held in Book Entry Form, interest on each Bond shall be paid to the Depository by check or draft or electronic funds transfer, in lawful money of the United States of America, as may be agreed in the Representations Letter; in the event the Bonds should ever become available in physical form to registered owners other than the Depository, interest on each Bond shall be paid by check or draft of the Bond Registrar, payable upon presentation thereof in lawful money of the United States of America, to the person in whose name such Bond is registered at the close of business on the applicable Record Date, and mailed to the address of such registered owner as it appears on the Bond Register or at such other address as may be furnished in writing to the Bond Registrar. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The principal of the Bonds shall be payable upon presentation at the office designated for such purpose of the Bond Registrar. The Bonds may be Term Bonds as provided by a Bond Order for a given series of the Bonds.

Section 5. Book Entry Form. The Bonds of each series shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds bearing the same rate of interest. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in such name as may be provided by the Depository (the “*Book Entry Owner*”) and, accordingly, in Book Entry Form as provided and defined herein. The Clerk or the Treasurer is authorized to execute a Representations Letter or to utilize the provisions of an existing Representations Letter. Without limiting the generality of the authority given with respect to entering into a Representations Letter for the Bonds, it may contain provisions relating to (a) payment procedures, (b) transfers of the Bonds or of beneficial interests therein,

(c) redemption notices and procedures unique to the Depository including factoring of Bonds which have been redeemed pursuant to the pro rata redemption procedures of the Depository, (d) additional notices or communications, and (e) amendment from time to time to conform with changing customs and practices with respect to securities industry transfer and payment practices. With respect to Bonds registered in the Bond Register in the name of the Book Entry Owner, neither the District nor the Bond Registrar shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which the Depository holds Bonds from time to time as securities depository (each such broker-dealer, bank, or other financial institution being referred to herein as a “*Depository Participant*”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds. Without limiting the meaning of the immediately preceding sentence, neither the District nor the Bond Registrar shall have any responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Book Entry Owner, or any Depository Participant with respect to any ownership interest in the Bonds; (b) the delivery to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register or as expressly provided in the Representations Letter, of any notice with respect to the Bonds, including any notice of redemption; or (c) the payment to any Depository 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 principal of or interest on the Bonds. No person other than a registered owner of a Bond as shown in the Bond Register shall receive a Bond certificate with respect to any Bond. In the event that (a) the District determines that the Depository is incapable of discharging its responsibilities described herein or in the Representations Letter, (b) the agreement among the District and the Depository evidenced by the Representations Letter shall be terminated for any reason, or (c) the District determines that it is in the best interests of the District or of the beneficial owners of the Bonds or of any given

series of the Bonds that they be able to obtain certificated Bonds; the District shall notify the Depository of the availability of Bond certificates, and such Bonds shall no longer be restricted to being registered in the Bond Register to the Book Entry Owner. The District may determine at such time that such Bonds shall be registered in the name of and deposited with a successor depository operating a book entry only system, as may be acceptable to the District, or such depository's agent or designee, but if the District does not select such successor depository, then such Bonds shall be registered in whatever name or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

Section 6. Execution; Authentication. The Bonds shall be signed by the manual or duly authorized facsimile signatures of the President and Clerk of the District, and shall be registered, numbered, and countersigned by the manual or duly authorized facsimile signature of the Treasurer, as they may determine, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the District. In case any such 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 form hereinafter set forth, duly executed by the Bond Registrar as authenticating agent of the District 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 it if signed by an authorized signatory of the Bond Registrar, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder.

Section 7. Redemption. A. Mandatory Redemption. If so provided in the relevant Bond Order, any Bonds may be issued as Term Bonds and principal amounts of such Bonds be subject to mandatory redemption prior to maturity by operation of the Bond Fund, at a price of par, without premium, plus accrued interest to the date fixed for redemption, on such date of each year as may be provided in the relevant Bond Order and in the amounts and subject to such provisions as shall be set forth in the relevant Bond Order. The principal of Bonds subject to mandatory redemption shall be deemed, for purposes of the Terms of Limitation within this Ordinance, to become due on the dates so subject to redemption and not at Stated Maturity, except for any remainder to be paid at such maturity. The District covenants that it will redeem any Term Bonds pursuant to the mandatory redemption requirement for such Term Bonds and levy taxes accordingly. If the District redeems pursuant to *optional* redemption as may be provided or purchases Term Bonds of any maturity and cancels the same from *Bond Moneys* as hereinafter described, then an amount equal to the principal amount of Term Bonds so redeemed or purchased shall be deducted from the mandatory redemption requirement as provided for Term Bonds of such maturity, first, in the current year of such requirement, until the requirement for the current year has been fully met, and then in any order of payment on the Term Bonds as due at maturity or subject to mandatory redemption in any year as the District shall at such time determine. If the District redeems pursuant to *optional* redemption or purchases Term Bonds of any maturity and cancels the same from moneys *other than Bond Moneys*, then an amount equal to the principal amount of Term Bonds so redeemed or purchased shall be deducted from the amount of such Term Bonds as due at maturity or subject to mandatory redemption in any year as the District shall at such time determine.

B. Optional Redemption. If so provided in the relevant Bond Order, any Bonds may be subject to redemption prior to maturity at the option of the District, in whole or in part on any

date, at such times and at such optional redemption prices as may be provided in the relevant Bond Order. Such optional redemption prices shall be expressed as (i) a percentage of the principal amount of Bonds to be redeemed, *provided* that such percentage shall not exceed one hundred five percent (105.00%), plus accrued interest to the date of redemption, or (ii) the “Make-Whole Redemption Price” hereinafter provided, or (iii) the “Extraordinary Optional Redemption Price” hereinafter provided. If less than all of the Outstanding Bonds of a Series are to be optionally redeemed, the Bonds to be called shall be called from such Series, in such principal amounts and from such Stated Maturities as may be determined by the District and within any Stated Maturity in the manner hereinafter provided.

C. Make-Whole Redemption. If so provided in the relevant Bond Order, any Bonds may be subject to redemption prior to maturity at the option of the District, in whole or in part, on any Business Day, at the “Make-Whole Redemption Price,” which is the greater of (i) one hundred percent (100%) of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the Stated Maturity of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at a rate which is equal to or in excess of the adjusted Treasury Rate, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date. The Make-Whole Redemption Price of the Bonds shall be determined by an independent accounting firm, investment banking firm, or financial advisor retained by the District at the District’s expense. The Bond Registrar and the District may conclusively rely on the determination of the Make-Whole Redemption Price by such independent accounting firm, investment banking firm, or financial advisor and will not be liable for such reliance.

D. Extraordinary Optional Redemption. If so provided in the relevant Bond Order, the Bonds may be subject to redemption prior to maturity at the option of the District, in whole or in part, upon the occurrence of an Extraordinary Event, at the “Extraordinary Optional Redemption Price,” which is the greater of: (i) one hundred percent (100%) of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the Stated Maturity of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at a rate which is equal to or in excess of the adjusted Treasury Rate, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date. The Extraordinary Optional Redemption Price of the Bonds shall be determined by an independent accounting firm, investment banking firm, or financial advisor retained by the District at the District’s expense. The Bond Registrar and the District may conclusively rely on the determination of the Extraordinary Optional Redemption Price by such independent accounting firm, investment banking firm, or financial advisor and will not be liable for such reliance.

Section 8. Redemption Procedures. The Bonds subject to redemption shall be identified, notice given, and paid and redeemed pursuant to the procedures as follows.

A. No Further Action for a Mandatory Redemption. For a mandatory redemption, the Bond Registrar shall proceed to redeem Bonds without any further order or direction from the District whatsoever.

B. Optional Redemption. For an optional redemption, the District shall, at least 45 days prior to a 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

series of Bonds and the maturities of such series (and, if applicable, the scheduled mandatory redemptions affected) and principal amounts of Bonds to be redeemed.

C. *Selection of Bonds within a Maturity.* (1) For purposes of any redemption of less than all of the Bonds of a single series and Stated Maturity by lot, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar for 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 advice from the District that certain Bonds to be redeemed are Defeased Bonds or the time of the giving of official notice of redemption.

(2) For purposes of any redemption of less than all of the Bonds of a single series and Stated Maturity pro rata, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Bond Registrar pro rata based upon a fraction the numerator of which is the principal amount of Bonds to be redeemed on a given date and the denominator of which is the aggregate principal amount of such series of Bonds and of the given Stated Maturity remaining unpaid immediately prior to such redemption. If the Bonds are held in Book Entry Form at the time of such redemption, the District shall direct the Bond Registrar to instruct the Depository to select the specific Bonds within such maturity for redemption pro rata among such Bonds, which redemption may utilize the Depository's current pro rata pass-through distribution of principal procedure or similar or substituted procedure promulgated from time to time. If while in Book Entry Form the Depository has no procedure for pro rata redemption, then such partial

redemption shall be accomplished by lot, as described above. The District and the Bond Registrar shall have no responsibility or obligation to insure that the Depository properly selects such Bonds for redemption.

D. Official Notice of Redemption. The Bond Registrar shall promptly notify the District 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. Unless waived by the registered owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the District by mailing the redemption notice by first class U.S. mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to each 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 official notices of redemption shall include the name of the Bonds and at least the information as follows:

- (1) the redemption date;
- (2) the redemption price, or in the case of a make-whole or extraordinary optional redemption, a description of the formula by which the redemption price shall be determined;
- (3) if less than all of the outstanding Bonds of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of Bonds within such maturity, the respective principal amounts) of the Bonds to be redeemed;
- (4) a statement 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;
and

(5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office designated for the purpose by the Bond Registrar.

E. Conditional Redemption. Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed 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 District, 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 District shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

F. Bonds Shall Become Due. Official notice of redemption having been given as described, the Bonds or portions of Bonds so to be redeemed shall, subject to the stated condition in paragraph (E) immediately preceding, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District 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. The procedure for the payment of interest due as part of the redemption price shall be as herein provided for payment of interest otherwise due.

G. Insufficiency in Notice Not Affecting Other Bonds; Failure to Receive Notice; Waiver. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a Bond, shall affect the sufficiency of such notice with respect to other registered owners. Notice having been properly given, failure of a registered owner of a Bond to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner of a Bond entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. In lieu of the foregoing official notice, so long as the Bonds are held in Book Entry Form, notice may be given as provided in the Representations Letter, and the giving of such notice shall constitute a waiver by the Depository and the Book Entry Owner, as registered owner, of the foregoing notice.

H. New Bond in Amount Not Redeemed. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of like series and tenor, of authorized denominations, of the same maturity, and bearing the same rate of interest in the amount of the unpaid principal.

I. Effect of Nonpayment upon Redemption. 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 or duly provided for, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption.

J. Bonds to be Cancelled; Payment to Identify Bonds. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be

reissued. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

K. Additional Notice. The District agrees to provide such additional notice of redemption as it may deem advisable at such time as it determines to redeem Bonds, taking into account any requirements or guidance of the Securities and Exchange Commission, the Municipal Securities Rule Making Board, the Government Accounting Standards Board, or any other federal or state agency having jurisdiction or authority in such matters; *provided, however,* that such additional notice shall be (1) advisory in nature, (2) solely in the discretion of the District, (3) not be a condition precedent of a valid redemption or a part of the Bond contract, and (4) any failure or defect in such notice shall not delay or invalidate the redemption of Bonds for which proper official notice shall have been given. Reference is also made to the provisions of the Continuing Disclosure Undertaking of the District with respect to the Bonds, which may contain other provisions relating to notice of redemption of Bonds.

L. Bond Registrar to Advise District. As part of its duties hereunder, the Bond Registrar shall prepare and forward to the District a statement as to notices given with respect to each redemption together with copies of the notices as mailed.

Section 9. Registration of Bonds; Persons Treated as Owners. The District shall cause books (the “*Bond Register*”) for the registration and for the transfer of the Bonds as provided in this Ordinance to be kept at the office designated for such purpose of the Bond Registrar, which is hereby constituted and appointed the registrar of the District for the Bonds. The District is authorized to prepare, and the Bond Registrar or such other agent as the District may designate

shall keep custody of, multiple Bond blanks executed by the District for use in the transfer and exchange of Bonds. Subject to the provisions of this Ordinance relating to the Bonds in Book Entry Form, any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in this Ordinance. Upon surrender for transfer or exchange of any Bond at the office designated for such purpose of the Bond Registrar, duly endorsed by or accompanied by a written instrument or instruments of transfer or exchange 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 District shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees or, in the case of an exchange, the registered owner, a new fully registered Bond or Bonds of like series and tenor, of the same maturity, bearing the same interest rate, of authorized denominations, for a like aggregate principal amount. The Bond Registrar shall not be required to transfer or exchange any Bond during the period of 15 days preceding the giving of notice of redemption of Bonds or to transfer or exchange any Bond all or a portion of which has been called for redemption. The execution by the District 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 Bonds of each series and maturity authenticated by the Bond Registrar shall not at any one time exceed the authorized principal amount of Bonds for such series and maturity less the amount of such Bonds which have been paid. 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 (her) 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 to any registered owner of Bonds for any transfer or exchange of Bonds, but the District 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.

Section 10. Form of Bond. The Bonds shall be in substantially the form hereinafter set forth; *provided, however,* that if the text of the Bond is to be printed in its entirety on the front side of the Bond, then the second paragraph of the front side of the Bond and the legend “See Reverse Side for Additional Provisions” shall be omitted and paragraphs on the reverse side of the Bond shall be inserted immediately after the first paragraph on the front side.

Registered Owner hereof as shown on the registration books of the District maintained by the Bond Registrar at the close of business on the Record Date for each interest payment date and shall be paid by check or draft of the Bond Registrar, payable upon presentation at the Bond Registrar 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 as otherwise agreed to by the District and the Depository if holding this Bond in Book Entry Only Form, as provided for same. “*Record Date*” means the fifteenth day of the month preceding any regular or other interest payment date occurring on the first day of any month and the fifteenth day preceding any interest payment date occasioned by the redemption of Bonds on other than the first day of a month.

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.

The full faith and credit of the District are hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds shall be direct and general obligations of the District. ALTHOUGH THIS BOND CONSTITUTES A GENERAL OBLIGATION OF THE DISTRICT, AND NO LIMIT EXISTS ON THE *RATE* OF THE DIRECT ANNUAL TAX LEVIED FOR ITS PAYMENT, THE *AMOUNT* OF THE TAX IS LIMITED BY THE PROVISIONS OF THE PROPERTY TAX EXTENSION LIMITATION LAW OF THE STATE OF ILLINOIS, AS AMENDED (THE “*LIMITATION LAW*”). The Limitation Law provides that the annual amount of the taxes to be extended to pay this Bond and all other Limited Bonds (as defined in the Local Government Debt Reform Act of the State of Illinois, as amended) both previously issued or to be issued by the District in the future shall not exceed the debt service extension base (as defined in the Limitation Law) of the District (the “*Debt Service Extension Base*”), less the amount extended to pay certain Nonreferendum Base

Bonds, as more fully defined in the Ordinance. The District is authorized to issue from time to time additional Limited Bonds payable from the Debt Service Extension Base.

It is hereby certified and recited that all conditions, acts, and things required by law to exist or to be done precedent to and in the issuance of this Bond did exist, have happened, been done and performed in regular and due form and time as required by law; that the indebtedness of the District, including the issue of Bonds of which this is one, does not exceed any limitation imposed by law; and that provision has been made for the collection of a direct annual tax to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity.

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 Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, by its Board of Commissioners, has caused this Bond to be signed by the manual or duly authorized facsimile signatures of the President and Clerk of the District, and to be registered, numbered, and countersigned by the manual or duly authorized facsimile signature of the Treasurer who receives the taxes of the District, all as appearing hereon and as of the Dated Date as identified above.

President, Board of Commissioners
Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

Clerk, Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

[SEAL]

Registered, Numbered and Countersigned:

Treasurer
Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

Date of Authentication: _____, _____

CERTIFICATE
OF
AUTHENTICATION

Bond Registrar and Paying Agent:

with payment and registration offices
located in Chicago, Illinois

This Bond is one of the Bonds described in the within mentioned ordinance and is one of the General Obligation [Taxable] Capital Improvement Bonds, Limited Tax Series of [Month Designation], 2010 [Build America Bond–Direct Payment], of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois.

as Bond Registrar

By _____
Authorized Officer

[Form of Bond - Reverse Side]

**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO
COOK COUNTY, ILLINOIS
[TAXABLE] GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS,
LIMITED TAX SERIES OF [MONTH DESIGNATION], 2010
[BUILD AMERICA BOND – DIRECT PAYMENT]**

This Bond is one of a series of Bonds issued by the District to pay for various Capital Improvement Purposes (the “*Projects*”), all as authorized pursuant to the provisions of Illinois law, including, specifically, the Metropolitan Water Reclamation District Act, as amended, and, in particular Section 9.6a thereof, and the Local Government Debt Reform Act, as amended; and,

further, as authorized by the Board of Commissioners of the District by an ordinance (the “*Ordinance*”) duly and properly adopted on the 21st day of October 2010, in all respects as provided by law, as supplemented by a Bond Order executed by duly authorized officers of the District for this series of Bonds (the “*Order*”). Subject to the provisions relating to this Bond remaining in Book Entry Only Form, this Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Ordinance and the Order.

This Bond is subject to redemption upon the terms, notice, redemption prices, and other applicable provisions of the Ordinance and the Order.

The District and the Bond Registrar may deem and treat the person in whose name any Bond shall be registered in the Bond Register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of or on account of the principal of or interest thereon and for all other purposes whatsoever; all such payments so made to any such Registered Owner or upon such Owner’s order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; and neither the District nor the Bond Registrar shall be affected by any notice to the contrary.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

Here insert identification number, such as Employer ID, SSN.

(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.

Section 11. Security for the Bonds and Certain Covenants and Reservations.

A. The full faith and credit of the District are hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds shall be direct and general obligations of the District, and the District shall be obligated to levy ad valorem taxes upon all the taxable property of the District for the payment of the Bonds and the interest thereon, without limitation as to rate, but limited as to amount by the provisions of the Limitation Law.

B. The Bonds shall be payable out of the Current Collection of the Taxes; and, in the event the Current Collection shall be insufficient to pay the interest on and the principal of the Bonds when due, the Bonds are payable as a general obligation of the District from the General Funds. In the event General Funds are used, the General Funds shall be reimbursed from the amounts eventually received and attributable to the Loss in Current Collection related to such insufficiency, if any.

C. The District represents that the sum of:

- (1) the Taxes (as levied for the Bonds and defined as such in the text of this Ordinance set out below in Section 12);
- (2) the levies for all Prior Limited Bonds; and
- (3) the levies for all Nonreferendum Base Bonds previously issued

does not exceed the Debt Service Extension Base for any year.

D. The District covenants that the sum of

- (1) the Taxes;
- (2) the levies for all Prior Limited Bonds;
- (3) the levies for all Future Limited Bonds; and
- (4) the levies for all Nonreferendum Base Bonds previously issued or to be issued

shall not exceed the Debt Service Extension Base for any year.

E. The Taxes are pledged and available solely for the Bonds. The Extension of the Taxes in any year may be limited to 100% of the Taxes (*i.e.*, the levy) for such year with the result that there may be a deficiency in the amount of the Current Collection from the taxes (equal to the Loss in Current Collection), which deficiency shall be satisfied from General Funds.

F. Future Limited Bonds may have aggregate debt service requirements (*i.e.*, interest and principal payment requirements) which will not be met by the levy of taxes under the Available Base and, consequently, must be met from General Funds; and the District reserves the right to issue such bonds, but the issuance shall not cause the reduction of the Extension for the Taxes to an amount less than 100% of the levy constituting the Taxes.

Section 12. Tax Levy; Application of Taxes Collected. In order to provide for the collection of direct annual taxes to pay and discharge the principal of and interest on the Bonds as the same become due, there be and there is hereby levied upon all the taxable property within the District a direct annual tax for each of the years and in amounts sufficient for that purpose (the “*Taxes*”) but in no event shall the Taxes as levied for all series of the Bonds, collectively, exceed the sum of \$145,428,729 in any given year; the Taxes for each series of the Bonds shall be as stated in the Bond Order as prepared for such series. The Clerk is hereby expressly

authorized and directed to file each Bond Order with the County Clerk upon the sale of the Bonds, and the Bond Order shall reflect the final Taxes to be levied for such series of the Bonds in such specific amounts and for such years as shall be necessary. The Taxes and other moneys, including, specifically, any payments from the United States to the District for Build America Bonds if so provided in the Bond Order on deposit (collectively, the “*Bond Moneys*”) in the Bond Fund shall be applied to pay principal of and interest on the Bonds as follows:

A. Bond Moneys shall be applied to the payment of interest when due and principal or Redemption Price when due at maturity or as redeemed pursuant to mandatory redemption from the Bond Fund; or

B. On or before 65 days preceding a mandatory redemption date, and provided notice is given to the Bond Registrar on or before said 65th day preceding a mandatory redemption date, Bond Moneys up to the amount of the redemption requirement on such mandatory redemption date plus interest due on Term Bonds on such date may be applied (1) to the purchase of Term Bonds of the maturity for which such mandatory redemption requirement was established at prices (including commissions and charges, if any) not exceeding par and accrued interest to such mandatory redemption date or (2) to the redemption of such Bonds, without premium, pursuant to optional redemption provisions applicable thereto. Upon the purchase or redemption of Term Bonds of any maturity pursuant to this paragraph (B), an amount equal to the principal amount of such Bonds or applicable portion thereof so purchased or redeemed shall be deducted from the mandatory redemption requirement as provided for Term Bonds of such maturity, first, in the current year of such requirement, until the requirement for the current year has been fully met, and then in any order of payment on the Term Bonds as due at maturity or subject to mandatory redemption in any year as the District shall at such time determine.

Principal of or interest on any Bond coming due at any time when there are not sufficient funds on hand from the foregoing tax levy to pay the same shall be paid from the general funds of the District, and the fund or funds from which such payment was made shall be reimbursed out of the Taxes when the same shall be collected. The District covenants and agrees with the Purchasers and the registered owners from time to time of the Bonds that so long as any of the Bonds remain outstanding, the District will take no action or fail to take any action which in any way would adversely affect the ability of the District to levy and collect the Taxes; and the District and its officers will comply with all present and future applicable laws in order to assure that the Taxes will be levied, extended, and collected as provided herein and deposited into the Bond Fund.

Section 13. Sale of Bonds. Any two of the Designated Officers, acting in concert, are hereby authorized to proceed, without any further official authorization or direction whatsoever from the Board, to sell and deliver the Bonds as herein provided. The Bonds shall be sold in one or more series and within each series as Plain Taxable Bonds, Tax-exempt or as Qualified Build America Bonds as shall be set forth in the Bond Order(s) relating to same. The Designated Officers shall be and are hereby authorized and directed to sell the Bonds to the Purchasers at not less than the Purchase Price, *provided, however*, as follows:

(a) The aggregate compensation to the Purchasers, not including other costs or expenses incurred and approved by the District and paid directly upon delivery of the Bonds, shall not exceed 1% of the aggregate initial reoffering price of the Bonds to the public.

(b) The District receives a written letter, report or certificate of the Purchasers, and also of the financial advisors to the District in the Bond transaction, that the terms of the Bonds are reasonable in light of current conditions in the market for Tax-exempt

obligations such as the Bonds for a series of the Bonds issued as Tax-exempt or in the market for taxable governmental obligations such as the Bonds for a series of the Bonds issued as either Qualified Build America Bonds or Plain Taxable Bonds and that the other Terms of Limitations have been met.

Nothing in this Section shall require the Designated Officers to sell Bonds if in their judgment the conditions in the bond markets shall have markedly deteriorated from the time of adoption hereof, but the Designated Officers shall have the authority to sell Bonds in any event so long as the limitations set forth in this Ordinance shall have been met. At the time of appointment of the Purchasers, the Board shall determine that no person holding any office of the District either by election or appointment, is in any manner financially interested, either directly, in his or her own name, or indirectly, in the name of any other person, association, trust or corporation, in the sale of the Bonds to the Purchasers. Upon the sale of a given series of the Bonds, the Designated Officers and any other officers of the District as shall be appropriate shall be and are hereby authorized and directed to approve or execute, or both, such documents of sale of the Bonds of such series as may be necessary, including, without limitation, for each such series, the Bond Order, Bond Purchase Agreement, Preliminary Official Statement and Official Statement, and closing documents including such certification and documentation as may be required by counsel approving the Bonds, including, specifically, a tax agreement, to render their opinion as to the Tax Exempt status of the interest on any Tax-exempt Bonds or the qualification of the Bonds as Qualified Build America Bonds pursuant to the Code. The preparation by the Designated Officers, other staff of the District, and the Purchasers, and distribution of a Preliminary Official Statement relating to the Bonds of any series is hereby in all respects authorized and approved; and the proposed use by the Purchasers of an Official Statement (in substantially the form of the Preliminary Official Statement but with appropriate variations to reflect the final terms of such

Bonds) is also hereby authorized and approved. A bond purchase agreement for the sale of the Bonds of any series to the Purchasers (the “*Bond Purchase Agreement*”), substantially in the form as approved for execution in connection with the sale of a prior bond issue of the District within the past three (3) years, is hereby in all respects authorized and approved. The officer(s) designated to sign the Bond Purchase Agreement are hereby authorized to execute same, and their execution shall constitute full and complete approval of all necessary or appropriate completions and revisions as shall appear therein. Upon the sale of a series of the Bonds, the Designated Officers so acting shall prepare the Bond Order for same, to be substantially in the form as approved for execution in connection with the sale of a prior bond issue of the District within the past three (3) years, which shall include the pertinent details of sale as provided herein, and such shall be entered into the records of the District and made available to the Board at the next public meeting thereof. The authority to sell the Bonds pursuant to the Bond Order as herein provided shall expire on December 31, 2010.

Section 14. Filing with the County Clerk. Upon the passage of this Ordinance and execution and delivery of the first Bond Order, the Clerk is hereby directed to file a certified copy of this Ordinance (along with such Bond Order, as previously provided) with the County Clerk, and it shall be the duty of the County Clerk annually in and for each of the years 2010 to 2039, inclusive, and as may be applicable, to ascertain the rate necessary to produce the Taxes, and extend the same for collection on the tax books against all of the taxable property within the District in connection with other taxes levied in each of said years for District purposes, in order to raise the respective amounts of the Taxes; and in each year such annual tax shall be computed, extended, and collected in the same manner as now or hereafter provided by law for the computation, extension and collection of taxes for general District purposes. When collected, the Taxes shall be placed to the credit of the Bond Fund. A like Bond Order shall be filed with the

County Clerk for each subsequent series of the Bonds, with like effect, but it shall not be necessary to file this Ordinance with the County Clerk more than once.

Section 15. Use of Bond Proceeds; Creation of Funds.

A. The proceeds received upon sale of each series of the Bonds (other than accrued interest and capitalized interest as provided in paragraph (B) below) shall be deposited into the “General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, Project Fund” (the “*Project Fund*”), hereby created. Disbursements shall be made from the Project Fund solely and only for the costs of the Projects, including reimbursements for prior expenditures for the Projects, and for all expenses of issuance of the Bonds or otherwise incidental to the Bonds or the Projects, and for which the principal proceeds are hereby appropriated. Interest received from deposits in the Project Fund shall, first, to the extent necessary, be transferred to the Rebate Fund pursuant to paragraph (C) of this Section; second, unless action is taken by the Board pursuant to the third clause of this sentence, shall be retained in the Project Fund, be appropriated for the purpose, and shall also be disbursed for the costs of the Projects; and third, to the extent permitted by law, may be transferred by the action of the Board to such other fund of the District as the Board may designate. The Project Fund may be further separated into accounts for each series of the Bonds as may be deemed advisable by the Treasurer or as covenanted by the District in the Bond documents.

B. There is hereby created the “General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, Bond Fund” (the “*Bond Fund*”), which fund shall be the fund for the payment of principal of and interest on the Bonds. Accrued interest and premium, if any, on the sale and delivery of the Bonds, plus a sum of principal proceeds (as capitalized interest) as set forth in a Bond Order for a given series of the Bonds, which shall provide for the payment of all interest due on the Bonds of the series for a period of not more than 24 months, shall be

deposited into the Bond Fund and is hereby appropriated to be used to pay interest on such Bonds on the dates and amounts set forth in such Bond Order. The Taxes received for the payment of the Bonds, shall be deposited into the Bond Fund and used solely and only for paying the Bonds. Interest received from deposits in the Bond Fund is hereby appropriated for and shall be retained in the Bond Fund for payment of the Bonds on the interest payment date next after such interest is received or, to the extent permitted by law, transferred by the Board to such other fund of the District as the Board may designate. If so provided in the relevant Bond Order, any payments from the United States to the District for Qualified Build America Bonds shall be deposited into the Bond Fund and used solely and only for paying such Build America Bonds.

C. There is hereby authorized to be created by the Treasurer or such other officer as may be necessary, when and as needed, a “General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, Rebate Fund” (the “*Rebate Fund*”). Interest earnings in the Project Fund or the Bond Fund or from any other fund or account as the Board may designate, shall be transferred to the Rebate Fund as necessary to provide for provision for payments of “excess arbitrage profits” to the United States pursuant to the covenants for the Bonds as either Tax-exempt or as Qualified Build America Bonds as provided in this Ordinance. In addition, payments of amounts due and owing to the United States Treasury under said Section and covenants are hereby authorized, directed, and appropriated from the Rebate Fund, to the end of fulfilling such covenants.

Section 16. General Tax Covenants. With respect to any Bonds issued as Tax-exempt, the District 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 Bonds) if taking, permitting, or omitting to take such action would cause any of the Bonds to be an arbitrage bond, a private activity bond, or a

federally guaranteed bond within the meaning of the Code or would otherwise cause the interest on such Bonds to be included in the gross income of the recipients thereof for federal income tax purposes. The District acknowledges that, in the event of an examination by the Internal Revenue Service of the status of the Bonds, under present rules, the District may be treated as a “taxpayer” in such examination. In furtherance of the foregoing provisions, but without limiting their generality, the District agrees: (a) through its officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to comply with all representations, covenants, and assurances contained in certificates or agreements as may be prepared by counsel approving the Bonds; (c) to consult with such counsel; (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 its officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the District in such compliance. For any series of the Bonds issued as Qualified Build America Bonds, any of the Designated Officers may perform such acts and make such declarations, tax returns, covenants and certifications as may be necessary or advisable to assure that the District receives the credit for Qualified Build America Bonds as allowed under Section 6431 of the Code.

Section 17. Reimbursement. None of the proceeds of the Bonds will be used to pay, directly or indirectly, in whole or in part, for an expenditure that has been paid by the District prior to the date hereof except architectural or engineering costs incurred prior to commencement of any of the Projects or expenditures for which an intent to reimburse has properly been declared under Treasury Regulations Section 1.150-2. This Ordinance is in itself a declaration of official intent under Treasury Regulations Section 1.150-2 as to all costs of the Projects paid after the date hereof and prior to issuance of the Bonds.

Section 18. Pertaining to the Bond Registrar. If requested by the Bond Registrar, any of the Designated Officers is authorized to execute a standard form of agreement between the District and the Bond Registrar with respect to the obligations and duties hereunder. Subject to modification by such agreement, the Bond Registrar accepts the duties listed as follows:

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

(b) to maintain a list of registered owners as set forth herein and to furnish such list to the District upon request, but otherwise to keep such list confidential except as otherwise may be required by law;

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

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

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

The District covenants that it shall at all times retain a Bond Registrar with respect to the Bonds, that it will maintain at the designated office(s) of such Bond Registrar a place or places where Bonds may be presented for payment or registration of transfer or exchange, and that it shall require that the Bond Registrar properly maintain the Bond Register and perform the other duties and obligations imposed upon it by this Ordinance in a manner consistent with the standards, customs and practices of the municipal securities industry. The Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Ordinance by executing the certificate of authentication on any Bond, and by such execution the Bond Registrar shall be deemed to have certified to the District that it has all requisite power to accept and has accepted

such duties and obligations not only with respect to the Bond so authenticated but with respect to all the Bonds. The Bond Registrar is the agent of the District and shall not be liable in connection with the performance of its duties except for its own negligence, willful wrongdoing, acts, or omissions. The Bond Registrar shall, however, be responsible for any representation in its certificate of authentication on the Bonds. The District may remove the Bond Registrar at any time. In case at any time the Bond Registrar shall resign, shall be removed, shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Bond Registrar or of the property thereof shall be appointed, or if any public officer shall take charge or control of the Bond Registrar or of the property or affairs thereof, the District covenants and agrees that it will thereupon appoint a successor Bond Registrar. The District shall mail notice of any such appointment made by it to each registered owner of any Bond within twenty days after such appointment. Any successor Bond Registrar appointed under the provisions of this Section shall be a bank, trust company, or national banking association maintaining an office for registration, transfer, and payment of bonds in the City of Chicago, Illinois, or in the City of New York, Borough of Manhattan, New York, having capital, surplus, and undivided profit in excess of \$100,000,000.

Section 19. Insurance. Any two of the Designated Officers are hereby expressly authorized to sell the Bonds of any series subject to the provisions of a municipal bond or financial guaranty insurance policy issued by an Insurer (the "*Policy*"). In such event, so long as such Policy shall be in full force and effect, the District and the Bond Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of the Bonds of such series, subrogation of the rights of the Bondholders to the Insurer when holding such Bonds, amendment hereof, or other terms, as approved by any one or more of the Designated

Officers, his, her or their approval to constitute full and complete acceptance by the District of such terms and provisions under authority of this section.

Section 20. Continuing Disclosure Undertaking. Any of the Designated Officers is hereby authorized to execute and deliver the Continuing Disclosure Undertaking, in substantially the form as approved for execution in connection with the sale of a prior bond issue of the District within the past three (3) years, with such modifications as may currently be required by the Rule, to effect compliance with the Rule. When such Continuing Disclosure Undertaking is executed and delivered on behalf of the District, it will be binding on the District and the officers, agents, and employees of the District, and the same are hereby authorized 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 such Continuing Disclosure Undertaking as executed and delivered. Notwithstanding any other provisions hereof, the sole remedies for failure to comply with such Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek mandamus or specific performance by court order, to cause the District to comply with its obligations thereunder.

Section 21. Defeasance. Any Bond or Bonds (a) which are paid and cancelled, (b) which have matured and for which sufficient sums been deposited with a bank or trust company authorized to keep trust accounts to pay all principal and interest due thereon, or (c)(i) for which sufficient United States of America funds and Defeasance Obligations shall have been deposited with a bank or trust company authorized to keep trust accounts, taking into account investment earnings on such obligations, all principal of and interest on such Bond or Bonds when due at maturity or as called for redemption, pursuant to an irrevocable escrow or trust agreement (being "*Defeased Bonds*"), (ii) accompanied by an opinion of bond counsel as to compliance with the covenants with respect to such Bonds, and (iii) accompanied by an express

declaration of defeasance by the Board; shall cease to have any lien on or right to receive or be paid from the taxes levied hereunder and shall no longer have the benefits of any covenant for the registered owners of outstanding Bonds as set forth herein as such relates to lien and security of the outstanding Bonds. All covenants relative to the Tax-Exempt or Qualified Build America Bond status of such Bond or Bonds and payment, registration, transfer, and exchange are expressly continued for all Bonds whether outstanding Bonds or not. For purposes of this section, “*Defeasance Obligations*” means (a) direct and general full faith and credit obligations of the United States Treasury (“*Directs*”), (b) certificates of participation or trust receipts in trusts comprised wholly of Directs or (c) other obligations unconditionally guaranteed as to timely payment by the United States Treasury.

Section 22. Severability. If any section, paragraph, or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, or provision shall not affect any of the remaining provisions of this Ordinance.

Section 23. Superseder. All ordinances, procedural rules, or parts thereof in conflict herewith be and the same are hereby superseded and waived for purposes of this Ordinance; and this Ordinance shall be in full force and effect forthwith upon its adoption.

Adopted the 21st day of October 2010.

SIGNED: October 21, 2010.

President, Board of Commissioners
Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

ATTEST:

Clerk, Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

APPROVED AS TO FORM AND LEGALITY:

Head Assistant Attorney,
Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

General Counsel,
Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

CERTIFICATION OF ORDINANCE, AGENDA, POSTING AND MINUTES

I, Jacqueline Torres, do hereby certify that I am the duly qualified and acting Clerk of the Metropolitan Water Reclamation District of Greater Chicago (the “*District*”) and as such official I am the keeper of the seal, journal of proceedings, books, records, minutes and files of the District and of the Board of Commissioners (the “*Board*”) thereof.

I do further certify that attached hereto is a full, true and complete transcript of the minutes of the legally convened meeting (the “*Meeting*”) of the Board held on the 21st day of October 2010 and of an ordinance, numbered O10-003, entitled:

AN ORDINANCE authorizing the sale of \$500,000,000 General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, the execution of one or more bond orders in connection therewith, and the levy of a direct annual tax in an amount to pay the principal of and interest on said bonds.

(the “*Ordinance*”) as adopted at the Meeting.

I do further certify that the deliberations of the Board on the adoption of the Ordinance were conducted openly; that the vote on the adoption of the Ordinance was taken openly; that the Meeting was called and held at a specified time and place convenient to the public; that notice of the Meeting was duly given to all of the news media requesting such notice; that an agenda (the “*Agenda*”) for the Meeting, which agenda included a separate specific item concerning the adoption of the Ordinance, was posted at least 96 hours in advance of holding the Meeting at the location where the meeting was held and at the principal office of the Board and which Agenda remained continuously so posted until the Meeting was adjourned; *that a true and complete copy of such Agenda is attached hereto*; that the Meeting was called and held in strict compliance with the provisions of the Open Meetings Act of the State of Illinois, as amended, and the Metropolitan Water Reclamation District Act, as amended; and that the Board has complied with all of the provisions of law and with all of the procedural rules of the Board in the conduct of the Meeting and the adoption of the Ordinance.

IN WITNESS WHEREOF I hereunto affix my official signature and the seal of the District
this ____ day of _____ 2010.

Clerk, Metropolitan Water Reclamation
District of Greater Chicago
County of Cook, State of Illinois

[SEAL]

[Attachments: Agenda, Ordinance, Minutes]

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

FILING CERTIFICATE

I, the undersigned, do hereby certify that I am the duly qualified and acting County Clerk of The County of Cook, Illinois, and as such official I do further certify that on the ____ day of _____ 2010, there was filed in my office a duly certified copy of an ordinance, bearing Ordinance Number O10-003, entitled:

AN ORDINANCE authorizing the sale of \$500,000,000 General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, the execution of one or more bond orders in connection therewith, and the levy of a direct annual tax in an amount to pay the principal of and interest on said bonds.

duly adopted by the Board of Commissioners of Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, on the 21st day of October 2010, and that the same has been deposited in (and all as appearing from) the official files and records of my office.

IN WITNESS WHEREOF, I hereunto affix my official signature and the seal of the County this ____ day of _____ 2010.

County Clerk of
The County of Cook, Illinois

[SEAL]