



# Office of the City Clerk

City Hall  
121 N. LaSalle St.  
Room 107  
Chicago, IL 60602  
www.chicityclerk.com

## Legislation Details (With Text)

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Date	Ver.	Action By	Action	Result
10/28/2015	1	City Council	Placed on File	

Department of Finance city of chicago

October 21, 2015

Susana Mendoza City Clerk  
1-21 North LaSalle Street Room 107  
Chicago, Illinois 60602

RE: City of Chicago, Illinois  
Water Revenue Project and Refunding Bonds, Series 2012

Dear Ms. Mendoza:

Attached is the Closing Certificate which is required to be filed with your office pursuant to Part E Section (1.02(f)) of the ordinance issuing City of Chicago Water Project and Refunding Bonds, which was passed by the City Council on March 14<sup>th</sup>, 2012.

Please direct this filing to the City Council.

Very Truly Yours,

Chief Financial Officer

121 NORTH LASALLE STREET, SUITE 700, CHICAGO, ILLINOIS 60602

## CITY OF CHICAGO WATER REVOLVING LINE OF CREDIT

### CLOSING CERTIFICATE

This Closing Certificate is being delivered pursuant to the authority contained in the ordinance adopted by the City Council (the "City Council") of the City of Chicago (the "City") on March 14, 2012, authorizing the City to execute and deliver one or more line of credit agreements with one or more commercial banks and other financial institutions to provide a revolving line of credit to meet (a) the payment, or the reimbursement of the City for the payment, of the cost of all or any portion of the Projects (as defined in the ordinance), including the making of grants or loans for such purpose to such parties and upon such terms as shall be determined by the Authorized Officer to be in the best interests of the City; (b) the provision of funds to meet the cash flow needs of the Water System (as defined in the ordinance), (c) the deposit of monies into funds and accounts as are provided for in the Credit Agreement (defined below); or (d) the payment of costs of issuance incurred in connection with the execution and delivery of each Credit Agreement and each series of Line of Credit Notes, (the "Ordinance"). A true, correct and complete copy of the Ordinance is attached hereto as Exhibit A. Pursuant to Section 1.02 of Part E of the Ordinance, Morgan Stanley Bank, N.A. has been selected to serve as the bank providing a revolving line of credit to the City in the amount of \$125,000,000. Except as otherwise defined herein, capitalized terms used herein shall have the same meanings as defined in the Credit Agreement defined below.

The City has executed that certain Revolving Credit Agreement dated as of October 16, 2015 between the City and Morgan Stanley Bank, N.A. (the "Credit Agreement") and that certain Note dated October 16, 2015 (the "Note") to evidence the \$125,000,000 line of credit.

Attached hereto as Exhibits B and C respectively are executed copies of the Credit Agreement and the Note.

I, the undersigned, RAHM EMANUEL, Mayor of the City, hereby certify that, pursuant to law and authorization vested in me, I have approved the Ordinance and executed the Note in the manner and capacity indicated by my signature and title appended hereto.

I, the undersigned, CAROLE L. BROWN, Chief Financial Officer of the City, hereby certify that I have executed the Credit Agreement and this Certificate, in the manner and capacity indicated by my signature and title appended hereto.

I, the undersigned, CAROLE L. BROWN, Chief Financial Officer of the City, hereby certify that: (i) the conditions specified in Sections 4.02(a) and (b) of the Credit Agreement have been satisfied; (ii) there has been no event or circumstance since

December 31, 2014 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect (as defined in the Credit Agreement); and (iii) there are no events of

default or termination events with respect to any Revenues Secured Debt or Swap Agreement of the City secured by Net Revenues Available for Bonds.

I, the undersigned, SUSANA A. MENDOZA, City Clerk of the City, do further certify that RAHM EMANUEL and CAROLE L. BROWN are, respectively, the duly authorized Mayor and Chief Financial Officer of the City, and that the signatures of said RAHM EMANUEL and CAROLE L. BROWN as they appear below are in all respects the true and genuine signatures of the officers of the City authorized by the Ordinance to execute the Note and the Credit Agreement, respectively.

I, the undersigned, SUSANA A. MENDOZA, City Clerk of the city, direct a copy of this filing to the City Council.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and have caused to be affixed hereto the corporate seal of the City this 16th day of October, 2015.

OFFICIAL TITLE

[SEAL]

Respectfully submitted this 16th day of October, 2015.

CITY OF CHICAGO

Chief Financial Officer

CLOSING CERTIFICATE

ACKNOWLEDGMENT OF FILING

The Closing Certificate of the City for its \$125,000,000 Water Revolving Line of Credit Program including all exhibits thereto was filed in the Office of the City Clerk of the City of Chicago, this Q /\*\* day of October, 2015.

Susana A. Mendoza  
City Clerk

[SEAL]

EXHIBIT A Ordinance See attached

STATE OF ILLINOIS )

)SS.

COUNTY OF COOK )

I, SUSANA A. MENDOZA, City Clerk of the City of Chicago in the County of Cook and State of Illinois, DO HEREBY CERTIFY that the annexed and foregoing is a true and correct copy of that certain ordinance now on file in my office regarding Issuance of City of Chicago Water Revenue Project and Refunding Bonds. Series 2012.

I DO FURTHER CERTIFY that the said ordinance was passed by the City Council of the said City of Chicago on the fourteenth (14<sup>th</sup>) day of March, 2012.

I DO FURTHER CERTIFY that the vote on the question of the passage of the said ordinance by the said City Council was taken by yeas and nays and recorded in the Journal of the Proceedings of the said City Council, and that the result of said vote so taken was as follows, to wit:

Yeas 47

I DO FURTHER CERTIFY that the said ordinance was delivered to the Mayor of the said City of Chicago after the passage thereof by the said City Council, without delay, by the City Clerk of the said City of Chicago, and that the said Mayor did approve and sign said ordinance on the sixteenth (16<sup>th</sup>) day of March, 2012.

I DO FURTHER CERTIFY that the original, of which the foregoing is a true copy, is entrusted to my care for safekeeping, and that I am the lawful keeper of the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the City of Chicago aforesaid, at the said City, in the County and State aforesaid, this twenty-fourth (24<sup>th</sup>) day of May, 2012.

[D.P.]

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ISSUANCE OF CITY OF CHICAGO WATER REVENUE PROJECT AND REFUNDING BONDS, SERIES 2012.

[02012-630]

The Committee on Finance submitted the following report:

CHICAGO, March 14, 2012.

*To the President and Members of the City Council:*

Your Committee on Finance, having had under consideration an ordinance authorizing the issuance of City of Chicago Water Revenue Project and Refunding Bonds, Series 2012, amount of bonds not to exceed: \$750,000,000, having had the same under advisement, begs leave to report and recommend that Your Honorable Body Pass the proposed ordinance transmitted herewith.

This recommendation was concurred in by a viva voce vote of the members of the Committee.

Alderman Burke abstains from voting pursuant to Rule 14.

Respectfully submitted,

(Signed) EDWARD M. BURKE,  
*Chairman.*

On motion of Alderman Burke, the said proposed ordinance transmitted with the foregoing committee report was Passed by yeas and nays as follows:

Yeas - Aldermen Moreno, Fioretti, Dowell, Burns, Hairston, Sawyer, Jackson, Harris, Beale, Pope, Balcer, Cardenas, Quinn, Foulkes, Thompson, Thomas, Lane, O'Shea, Cochran, Brookins, Munoz, Zalewski, Chandler, Solis, Burnett, Ervin, Graham, Reboyras, Suarez, Waguespack, Mell, Austin, Colon, Sposato, Mitts, Cullerton, Laurino, P. O'Connor, M. O'Connor, Reilly, Smith, Tunney, Arena, Cappleman, Pawar, Osterman, Silverstein - 47.

Nays - None.

Alderman Pope moved to reconsider the foregoing vote. The motion was lost.

Alderman Burke invoked Rule 14 of the City Council's Rules of Order and Procedure, disclosing that he had represented parties to this ordinance in previous and unrelated matters.

The following is said ordinance as passed:

## REPORTS OF COMMITTEES

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:**

### **PART A INTRODUCTION**

### **ARTICLE I**

#### **AUTHORITY AND FINDINGS**

Section'1.01.'; - Authority. ThFs Ordinance is adopted pursuant: to Section 6(a) of

Article VII of the Constitution. This Ordinance authorizes the issuance of Series 2012 Project and Refunding Bonds as follows: (i) Part B of this Ordinance authorizes the issuance, from time to time, of 2012 Senior Lien Project and Refunding Bonds in one or more series, in such principal amounts and with such terms and provisions as are set forth in Part B; (ii) Part C of this Ordinance authorizes the issuance, from time to time, of 2012 Second Lien Project and Refunding Bonds in one or more series, in such principal amounts and with such terms and provisions as are set forth in Part C. in the Second Lien Bonds Master Indenture previously approved by the City and in the Seventh Supplemental Indenture approved in Part C; (iii) Part D of this Ordinance authorizes the issuance, from time to time, of 2012 Subordinate Lien Obligations in one or more series, in such amounts and with such terms and provisions as are set forth in Part D; (iv) Part E of this Ordinance authorizes the execution and delivery, from time to time, of one or more Water System Line of Credit Agreements and the issuance of Water System Line of Credit Notes thereunder, in such amounts and with such terms and provisions as are set forth in Part E and (iv) Part F of this Ordinance sets forth provisions generally applicable to the 2012 Senior Lien Project and Refunding Bonds, the 2012 Second Lien Project and Refunding Bonds, the 2012 Subordinate Lien Obligations and the Water System Line of Credit Notes."

Section 1.02. Findings. It is found and declared as follows:

(a): The City is a "duly constituted and existing municipality within the meaning of Section 1 of Article V of the Constitution" and is a "home rule unit" under Section 6(a) of Article VII of the Constitution.

b) The City has constructed and is maintaining and operating the Water System to meet the needs of the City's inhabitants and other users of the Water System and for fire protection. The Water System is operated under the supervision and control of the Department of Water Management of the City.

c) The City has determined to improve and expand the Water System, and to issue bonds and other obligations to pay the costs of such improvement and expansion.

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d) The estimated useful life of the Projects is longer than the final maturity of the Series 2012 Project and Refunding Bonds. It is advisable and necessary and in the best interests of the City that the City undertake and complete the Projects.

e) The City does not have available funds sufficient to pay Project Costs.

f) The City (i) has issued and has outstanding its Series 1993 Bonds; its Series 1995 Bonds; its Series 1997 Bonds; its Series 2000 Bonds, consisting of its 2000 Senior Lien Bonds, its 2000 Second Lien Bonds and its 2000 Subordinate Lien Obligations; its Series 2001 Bonds, consisting of its 2001 Senior Lien Bonds, its 2001 Second Lien Bonds and its 2001 Subordinate Lien Obligations; its Series 2004 Second Lien Bonds; its Series 2006 Second Lien Bonds, its Series 2008 Second Lien Bonds and its Series 2010 Second Lien Bonds, consisting of its 2010A Second Lien Bonds, its 2010B Second Lien Bonds and its 2010C Second Lien Bonds; (ii) has executed and delivered, in connection<sup>1</sup> with the issuance of the Series 2004 Second Lien Bonds; (A) the ISDA Master Agreement, the Schedule and the Credit Support Annex to the Schedule, each dated as of August 5, 2004; and the related Confirmation, between the City and UBS AG; and (B) the ISDA Master Agreement, the Schedule and the Credit Annex to the Schedule, each dated as of August 5, 2004, and the related Confirmation, between the City and Royal Bank of Canada; and (iii) certain agreements providing for credit or liquidity support with respect to the obligations described in clause (i) above

(g) : The Series 2004 Second Lien Bond Ordinance authorized the issuance by the City and the City may issue and have outstanding from time to time its Water System Commercial Paper Notes, 2004 Program, Series A (Tax-Exempt) and Series B (Taxable) (collectively, the "Series 2004 Commercial Paper Notes") an amount outstanding at any one time<sup>1</sup> of not to exceed \$200,000,000 (said amount, as may be amended from time to time by this City Council, being referred to herein as the "CP Authorization");

(h) Each of the obligations described in paragraphs (f) and (g), above, has a claim for payment from the Net Revenues of the Water System. No other outstanding obligations have a claim for payment from the Net Revenues of the Water System:

(i) - The City has determined to ascertain whether the refunding of all or a portion of the outstanding Senior Lien Bonds, the Outstanding Second Lien Bonds, the outstanding Subordinate Lien Obligations will reduce the aggregate debt service payable by the City with respect to the Bonds or restructure such debt service in a manner deemed to be in the best interests of the Water System and the City.

(j) The aggregate estimated amount of the Project Costs, the cost of refunding the Refunded Bonds (as defined herein) and the costs and deposits described in the following paragraph is in excess of \$.750,000,000.

(k) : The City has determined to authorize the issuance from time to time of its Series 2012 Project and Refunding Bonds, consisting of its Senior Lien Water Revenue Project and Refunding Bonds, Series 2012 (the "2012 Senior Lien Project and Refunding Bonds"), its Second Lien Water Revenue Project and Refunding Bonds, Series 2012 (the "2012 Second Lien Project and Refunding Bonds") and its 2012 Subordinate Lien Obligations or any combination of 2012 Senior Lien Project and Refunding Bonds, 2012 Second Lien Project and Refunding Bonds and 2012 Subordinate Lien Obligations, in one or more series for any one or more of the purposes of (i) refunding the Refunded Bonds, (ii) paying Project Costs, including the refunding and retirement of the Series 2004 Commercial Paper Program Notes, (iii) funding

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capitalized interest on the Series 2012 Project and Refunding Bonds, (iv) paying costs of issuance of the



Series 2012 Project and Refunding Bonds, including costs of acquiring a Senior Lien Bond Debt Service Reserve Account Credit Instrument, a Qualified Reserve Account Credit Instrument (as defined in the Second Lien Bonds Master Indenture) and a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument (as defined in Part D). (v) making a deposit in the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Bond Debt Service Reserve Account established in Section 4.03(b) of Part B and (vi) making a deposit to the 2012 Second Lien Project and Refunding Bonds Dedicated Subaccount in the amount required by the Seventh Supplemental Indenture or a Supplemental Indenture.

(l) To further avail of the CP Authorization heretofore granted, the City has determined to authorize the execution and delivery from time to time of one or more Water System Line of Credit Agreements and to issue thereunder one or more Water System Line of Credit Notes for the purposes, in such amounts and with such terms and provisions as are set forth in Part E of this Ordinance; provided that the aggregate outstanding amount of Series 2004 Commercial Paper Notes and Water System Line of Credit Notes shall at no time exceed the amount of the CP Authorization, V.

v. (m). In accordance with the covenants of the City in the Series 1993 Bond Ordinance, the Series 1995 Bond Ordinance, the Series 1997 Bond Ordinance, the Series 2000 Bond Ordinance, the Series 2001 Senior Lien Bond Ordinance, the Series 2004 Second Lien Bond Ordinance, the Series 2006 Second Lien Bond Ordinance, the Series 2008 Second Lien Bond Ordinance, the Series 2010 Second Lien Bond Ordinance and this Ordinance, concurrent with the issuance, sale and delivery of any 2012 Senior Lien Project and Refunding Bonds pursuant to this Ordinance, all the conditions and requirements specified in Article VI of the Series 1993 Bond Ordinance; Article VI of the Series 1995 Bond Ordinance, Article VI of Part B of the Series 1997 Bond Ordinance; Article VI of Part B of the Series 2000 Bond Ordinance, Article VI of Part B of the Series 2001 Senior Lien Bond Ordinance; Article VI of Part B of the Series 2004 Second Lien Bond Ordinance, Article VI of Part B of the Series 2006 Second Lien Bond Ordinance, Article VI of Part B of the Series 2008 Second Lien Bond Ordinance, Article VI of Part B of the Series 2010 Second Lien Bond Ordinance and Article VI of Part B of this Ordinance shall have been fully satisfied and complied with, and based upon such satisfaction and compliance, if the City shall issue 2012 Senior Lien Project and Refunding Bonds pursuant to this Ordinance, such 2012 Senior Lien Project and Refunding Bonds will have a claim for payment from Second Lien Bond Revenues Available for Bonds on an equal and ratable basis with the Series 1993 Bonds, the Series 1995 Bonds, the Series 1997 Bonds, the Series 2000 Senior Lien Bonds and the Series 2004 Second Lien Bonds.

(n). In accordance with the covenants of the City in the Second Lien Bonds Master Indenture, concurrent with the issuance, sale and delivery of the 2012 Second Lien Project and Refunding Bonds, all the conditions and requirements in Section 4.06 of the Second Lien Bonds Master Indenture shall have been fully satisfied and complied with and, based upon such satisfaction and compliance, if the City shall issue 2012 Second Lien Project and Refunding Bonds pursuant to this Ordinance, such 2012 Second Lien Project and Refunding Bonds will have a claim for payment from Second Lien Bond Revenues on an equal and ratable basis with the 2000 Second Lien Bonds, the 2001 Second Lien Bonds, the 2004 Second Lien Bonds, the 2006 Second Lien Bonds, the Series 2008 Second Lien Bonds and the Series 2010 Second

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(u) Authority is granted to the Chief Financial Officer to (i) determine to sell from time to time the Series

2012 Project and Refunding Bonds in one or more series of 2012 Senior Lien

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Project and Refunding Bonds, one or more series of 2012 Second Lien Project and Refunding Bonds and one or more series of 2012 Subordinate Lien Obligations and (ii) determine to provide for the execution and delivery of one or more Water System Line of Credit Agreement and for the issuance of one or more series of Water System Line of Credit Notes thereunder, or any combination of the foregoing, as and to the extent determined by the Chief Financial Officer to be desirable and in the best financial interest of the Water System.

(v) This Ordinance is adopted pursuant to the City's constitutional home rule powers.

## PART B

### DEFINITIONS; 2012 SENIOR LIEN PROJECT AND REFUNDING BONDS

#### ARTICLE I DEFINITIONS

Section 1.01. Definitions. As used in Parts A through F of this Ordinance, the terms defined in Part A of this Ordinance and in this Section 1.01 shall have the following meanings, unless the context clearly indicates a different meaning:

"Authenticating Agent" means such banking institution as may be appointed by the Chief Financial Officer as authenticating agent for the 2012 Senior Lien Project and Refunding Bonds, or any successor to it in that capacity appointed by the Chief Financial Officer and any co-authenticating agent separately appointed by the Chief Financial Officer.

"Bond Registrar" means such banking institution as may be appointed by the Chief Financial Officer as bond registrar for the 2012 Senior Lien Project and Refunding Bonds, or any successor to it in that capacity appointed by the Chief Financial Officer and any co-bond registrar separately appointed by the Chief Financial Officer.

"Bonds" means, collectively, the Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, CP Notes and Water System Line of Credit Notes Outstanding from time to time.

"Capital Appreciation 2012 Senior Lien Project and Refunding Bonds" means any 2012 Senior Lien Project and Refunding Bonds which are designated by the Chief Financial Officer in the Senior Lien Bond Determination Certificate to be capital appreciation bonds, all or a portion of the interest on which shall be payable as appreciation in the principal amount of those 2012 Senior Lien Project and Refunding Bonds, when the principal amount of those 2012 Senior Lien Project and Refunding Bonds is due.

"Chief Financial Officer" means the Chief Financial Officer of the City appointed by the Mayor or, in the event no person is at the time then so appointed and acting, the City Comptroller of the City.

"City" means the City of Chicago.

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"City Clerk" means the duly elected and qualified person serving as the City Clerk of the City.

"City Council" means the City Council of the City

"Compound Accreted Value" means, with respect to any Capital Appreciation 2012 Senior Lien Project and Refunding Bond or any Capital Appreciation 2012 Second Lien Project and Refunding Bond, as of any date of calculation, its original principal amount plus the appreciation in its principal amount to that date calculated as provided in the related Senior Lien Bond Determination Certificate or Second Lien Bond Determination Certificate.

"Constitution" means the 1970 Constitution of the State of Illinois.

"Construction Account: 2012 Second Lien Project and Refunding Bonds" means the separate account of that name in the Water Fund established pursuant to Section 3.02 of Part C of this Ordinance.

"Construction Account: 2012 Senior Lien Project and Refunding Bonds" means the separate account of that name in the Water Fund established pursuant to Section 3.05 of this Part B.

"Construction Account: 2012 Subordinate Lien Obligations" means the separate account of that name in the Water Fund established pursuant to Section 3.03 of Part D of this Ordinance.

"Consulting Engineer" means any engineer or firm of engineers of national reputation selected by the City and generally recognized to be well qualified in engineering matters relating to municipal water utility systems.

"CP Notes" means obligations commonly described as "commercial paper" issued by the City from time to time, payable from the Commercial Paper Account described in Section 4.03(f) of Part B of this Ordinance, including the Series 2004 Commercial Paper Program Notes.

"Defeasance Obligations" means (i) cash, (ii) Governmental Obligations, (iii) securities that are described in clause (c) of the definition of Permitted Investments; (iv) securities that are obligations described in clause (f) of the definition of Permitted Investments (A) that have been refunded in advance of their maturity and are, at the time of purchase, rated by at least two Rating Agencies in their highest respective long-term rating categories for comparable types of debt obligations or (B) that have been refunded in advance of their maturity with cash, direct U.S. or U.S. guaranteed obligations, or rated pre-refunded municipals and are, at the time of purchase, rated by a single Rating Agency in its highest long-term rating category for comparable types of debt obligations, (iv) the interest component of REFCORP -strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form, or (v) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: Farmers Home Administration (FmHA) (certificates of beneficial ownership). Federal Financing Bank, General Services Administration (participation certificates). U.S. Maritime Administration (guaranteed Title XI financing), U.S. Department of Housing and Urban Development (HUD) (Project Notes, Local Authority Bonds. New Communities Debentures - U.S. government guaranteed debentures), and U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

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"Deputy City Clerk" means the duly appointed and qualified person serving as the Deputy City Clerk of the City.

"Federal Subsidies" means (i) the direct payments by the Treasury Department to the City of a portion

of the interest payable by the City on the 201 OB Second Lien Bonds and the. 2010C Second Lien Bonds and (ii) to the extent hereafter provided in Federal Compliant Obligation Authorization, payments by the Treasury Department to the City resulting from subsidies, tax credits or other incentives or benefits to state and local governments in connection with the issuance of debt obligations by such governments.

"Fiscal Year" means the period beginning January 1 and ending December 31 of any year.

"Governmental Obligations" means securities which are obligations described in clauses (a) and (b) of the definition of Permitted Investments in this Section 1.01.

"Gross Revenues" means all income and receipts from any source which under generally accepted accounting principles are properly recognized as being derived from the operation of the Water System, including without limitation (i) charges imposed for water service and usage, (ii) charges imposed for sales of water to municipalities (other than the City) and other users of water service, (iii) charges imposed for inspections and permits for connection to the Water System, (iv) grants (excluding grants received for capital projects) and (v) Investment Earnings. Gross Revenues do not include (a) amounts credited to customers on their bills, such as for payment of the price of purchasing from them capital assets of the Water System or (b) Federal Subsidies.

"Internal Revenue Code" means the. Internal Revenue Code of 1986, as amended, or any successor act and the regulations promulgated thereunder.

"Investment Earnings" means interest plus net profits and less net losses derived from investments made with, any portion of the Gross Revenues or with any money in the Accounts in the Water Fund (other than the Senior Lien Rebate Accounts) specified in Section 4.03 of this Part B. Investment Earnings do not include interest or earnings on investments of the Construction Account: 2012 Senior Lien Project and Refunding Bonds, the Construction Account: 2012 Second Lien Project and Refunding Bonds, the Construction Account: 2012 Subordinate Lien Obligations or any Second Lien Rebate Accounts established pursuant to Section 3.01 of the Second Lien Bonds Master Indenture.

"ISDA" means the International Swaps and Derivatives Association. Inc.

"Mayor" means the Mayor of the City.

"Municipal Code" means the Municipal Code of Chicago, as amended.

"Net Revenues" means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs.

"Net Revenues Available for Bonds" means that portion of the Net Revenues remaining in any period, minus any amounts deposited during that period in the Water Rate Stabilization Account as provided in Section 4.03(g) of this Part B (other than amounts deposited to that Account upon the issuance of the Series 1993 Bonds or upon the issuance of

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any Senior Lien Parity Bonds) and plus the amounts withdrawn during that period from that Account.

"Operation and Maintenance Costs" means all expenses reasonably incurred by the City in connection with the operation, maintenance, renewal, replacement and repair of the Water System, which under generally accepted accounting principles are properly chargeable to the Water System and not capitalized, including, without limitation, salaries, wages, taxes, contracts for services, costs of materials and supplies, purchase of power, fuel, insurance, reasonable repairs and extensions necessary to render efficient

service, the costs related to any agreements or other arrangements entered into pursuant to this Part B. Paying Agent's fees, and all incidental expenses, but excluding any provision for depreciation or for interest on Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, CP Notes, Water System Line of Credit Notes or other obligations for borrowed money payable from the Net Revenues, Net Revenues Available for Bonds, Second Lien Bond Revenues or Subordinate Lien Obligation Revenues and, from and after the earlier to occur of (i) the date all Senior Lien Bonds issued prior to the date of issuance of the 2000 Senior Lien Bonds are no longer Outstanding or (ii) the effective date of amendments to the ordinances authorizing Outstanding Senior Lien Bonds issued prior to the date of issuance of the 2000 Senior Lien Bonds which permit the following to be included in the definition of Operation and Maintenance Costs, the fees of the trustee and any remarketing agent, paying agent or bond registrar for the Second Lien Bonds, and the paying agent, if any, for Subordinate Lien Obligations, the costs related to any agreements or other arrangements entered into pursuant to Section 2.05 of Part of this Ordinance or the Second Lien Bonds Master Indenture.

"Ordinance" means this Ordinance as it may be modified or amended from time to time.

"Outstanding" means, (i) with reference to any series of Senior Lien Bonds, all of such obligations that are outstanding and unpaid, provided that such term does not include obligations:

(a) which have been paid or redeemed in full both as to principal, redemption premium, if any, and interest, or

b) which have matured or which have been duly called for redemption and for the payment of which money is on deposit with the designated paying agents for such Senior Lien Bonds, or are otherwise properly available, sufficient to pay the principal of, redemption premium, if any, and interest on such Senior Lien Bonds, or

c) for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Senior Lien Bonds, or

d) which are owned by the City; and

(ii) with reference to any Second Lien Bonds, has the meaning ascribed to such term in the Second Lien Bonds Master Indenture; with reference to any Subordinate Lien Obligations, has the meaning ascribed to such term in Part D of this Ordinance; with reference to any CP Notes, has the meaning ascribed to such term in the ordinances and related indentures authorizing

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such CP Notes; and with reference to any Water System Line of Credit Notes, has the meaning ascribed to such term in the ordinances and related Water System Line of Credit Agreements pursuant to which such Water System Line of Credit Notes are issued.

"Paying Agent" means such banking institution as may be appointed by the Chief Financial Officer as paying agent for the 2012 Senior Lien Project and Refunding Bonds, or any successor to it in that capacity appointed by the Chief Financial Officer and any co-paying agent separately appointed by the Chief Financial Officer.

"Permitted Investments" means any of the following, to the extent permitted by law and by the Second Lien Bonds Master Indenture at the time of such investment:

. (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

b) trust receipts or other certificates of ownership evidencing an ownership interest in the principal of or interest on, or both principal of and interest on, obligations described in clause (a) of this definition, which obligations are held in trust by a bank described in clause (d) of this definition, provided that such bank holds such obligations separate and segregated from all other funds and accounts of the City and of such bank and that a perfected first security interest under the Illinois Uniform Commercial Code, or under book entry procedures prescribed at 31 C.F.R. 306.0 et seq. or 31 C.F.R. 350.0 et seq. (or other similar book entry procedures similarly prescribed by federal law or regulations adopted after the date of adoption of this Ordinance), has been created in such obligations for the benefit of the applicable account in the Water Fund or, to the extent permitted, in any irrevocable trust or escrow established to make provision for the payment and discharge of the indebtedness on all 2012 Senior Lien Project and Refunding Bonds or other obligations which are payable from Net Revenues Available for Bonds;

c) obligations of Fannie Mae or of any agency or instrumentality of the United States Of America now existing or created after the issuance and delivery of the 2012 Senior Lien Project and Refunding Bonds, including but not limited to the Federal Home Loan Mortgage Corporation, the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank;

d) negotiable or non-negotiable time deposits evidenced (i) by certificates of deposit issued by any bank, trust company, national banking association or savings and loan association which has capital of not less than \$250,000,000 or (ii) by certificates of deposit which are continuously and fully insured by (A) any federal agency or (B) an insurer that at the time of issuance of the policy securing such deposits has been assigned a credit rating on its long-term unsecured debt within one of the two highest rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, from at least two Rating Agencies;

e) repurchase agreements with banks described in clause (d) of this definition or with government bond dealers reporting to, trading with, and recognized as primary dealers by a Federal Reserve Bank, provided (i) that the underlying securities are obligations described in clauses (a) or (c) of this definition and are required to be continuously maintained at a market value not less than the amount so invested, (ii) the City has received an opinion of counsel to the effect that a custodian for the City has possession of the underlying securities as collateral

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and has a perfected first security interest in the collateral, and (iii) the collateral is in the opinion of such counsel free and clear of claims by third parties;

f) obligations of any state of the United States of America or any political subdivision of a state or any agency or instrumentality of a state or political subdivision which are, at the time of purchase, rated by at least two Rating Agencies in one of their two highest respective long-term rating categories, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise (if not rated by at least two Rating Agencies then a rating by a single Rating Agency shall be satisfactory), for comparable types of debt obligations;

g) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by at least two Rating Agencies, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, in their highest rating category (if not rated by at least two Rating Agencies then a rating by a single Rating Agency shall be satisfactory), for comparable types of debt obligations;

h) repurchase agreements and investment agreements (including forward purchase agreements pursuant to which the City agrees to purchase securities of the type described in clauses (a), (b), (c), (f), (g) and (i) of this definition of "Permitted Investments"), with any bank, trust company, national banking association (which may include any Paying Agent or Bond Registrar), insurance company or any other financial institution which at the date of the agreement has an outstanding, unsecured, uninsured and unguaranteed debt issue rated by at least two Rating Agencies in one of their three highest respective long-term rating categories, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, or if such institution is not so rated, that the agreement is secured by such securities as are described in clauses (a) through (d) above, inclusive, having a market value at all times (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount invested pursuant to the agreement, provided that (i) a custodian for the City (which custodian is not the entity with which the City has the repurchase or investment agreement) has a perfected first security interest in the collateral and the City has received an opinion of counsel to that effect, (ii) the custodian or an agent of the custodian (which agent is not the entity with which the City has the repurchase or investment agreement) has possession of the collateral, and (iii) such obligations are in the opinion of such counsel free and clear of claims by third parties;

(i) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated by at least one Rating Agency in its highest short-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(j) certificates of deposit of national banks that are either fully collateralized at least 110 percent by marketable U.S. government securities marked to market at least monthly or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, as rated by at least one Rating Agency and maintaining such rating during the term of such investment; and

(k) shares of a money market fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933. as amended.

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"Project Costs" means the costs of acquiring, constructing and equipping the Projects, including without limitation, acquisition of necessary interests in property, engineering fees or costs of the City, restoration costs, legal fees or costs of the City and, except with respect to Subordinate Lien Obligations, Senior Lien Bond Costs of Issuance. "Project Costs" shall also include the costs of refunding and retirement of the Series 2004 Commercial Paper Program Notes.

"Projects" means the program of improvements and extensions to the Water System designated by the Commissioner of Water Management including, but not limited to constructing and installing water mains; rehabilitating, upgrading, replacing, repairing, renovating, improving and extending facilities at the water purification plants; improving and extending facilities at any or all of the pumping stations; providing any and all necessary facilities, services and equipment to protect and enhance the safety, integrity and security of the Water System; providing new equipment and technology and rehabilitating existing equipment necessary to continue to provide existing customers with the quality and quantity of water required and to meet future customer demand; and any project approved by the IEPA under the IEPA Program defined in Part D of this Ordinance.

"Rating Agency" means any nationally recognized securities rating agency.



"Refunded Bonds" means, collectively, the Refunded Senior Lien Bonds, the Refunded Second Lien Bonds and the Refunded Subordinate Lien Obligations.

"Refunded Senior Lien Bonds" means those Outstanding Senior Lien Bonds identified in the Senior Lien Bond Determination Certificate to be refunded with the proceeds of the Series 2012 Project and Refunding Bonds.

"Refunded Second Lien Bonds" means those Outstanding Second Lien Bonds identified in the Second Lien Bond Determination Certificate to be refunded with the proceeds of the Series 2012 Project and Refunding Bonds.

"Refunded Subordinate Lien Obligations" means those Outstanding Subordinate Lien Obligations (t) identified in the Senior Lien Bond Determination Certificate to be refunded with proceeds of the 2012 Senior Lien Project and Refunding Bonds and (ii) identified in the Second Lien Bond Determination Certificate to be refunded with the proceeds of the 2012 Second Lien Project and Refunding Bonds.

"Registered Owner" means any person in whose name a Bond is registered in the registration books of the City maintained by the Bond Registrar.

"Second Lien Bond Revenues" means all sums, amounts, funds or moneys which are deposited to the Second Lien Bonds Account pursuant to Section 4.03(d) of this Part B.

"Second Lien Bonds" means the 2012 Second Lien Project and Refunding Bonds authorized herein, the Series 2010 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2006 Second Lien Bonds, the Series 2004 Second Lien Bonds, the Series 2001 Second Lien Project and Refunding Bonds, the Series 2000 Second Lien Bonds and all Second Lien Parity Bonds.

"Second Lien Bonds Account" means the separate account of that name previously established in the Water Fund and described in Section 4.03(d) of this Part B.

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"Second Lien Bonds Master Indenture" means the Second Lien Bonds Master Indenture approved in the Series 2000 Bond Ordinance, as amended by Amendment No. 1 To Master Indenture, dated as of August 1, 2004 and as the same may from time to time be supplemented and amended in accordance with its provisions.

"Second Lien Parity Bonds" means obligations which may be issued on the date or after the issuance of the 2012 Second Lien Project and Refunding Bonds which are payable from Second Lien Bond Revenues on an equal and ratable basis with the 2012 Second Lien Project and Refunding Bonds and all other Outstanding Second Lien Bonds.

"Senior Lien Bond Costs of Issuance" means all fees and costs incurred by the City relating to the issuance of the 2012 Senior Lien Project and Refunding Bonds or the 2012 Subordinate Lien Obligations, including, without limitation, printing costs, Authenticating Agent's initial fees and charges. Bond Registrar's fees and charges, Paying Agent's fees and charges, financial advisory fees, costs of credit ratings, engineering fees, legal fees, accounting fees, the cost of any premiums for municipal bond insurance to insure the 2012 Senior Lien Project and Refunding Bonds, the cost of providing any Senior Lien Debt Service Reserve Account Credit Instrument or other credit facility with respect to the 2012 Senior Lien Project and Refunding Bonds, the initial fees payable to the counterparty to any interest rate agreement entered into pursuant to this Ordinance, and the cost of any related services with respect to the 2012 Senior Lien Project and Refunding Bonds.

"Senior Lien Bond Determination Certificate" means the certificate of the Chief Financial Officer with respect to the 2012 Senior Lien Project and Refunding Bonds of a series filed with the Office of the City Clerk or the Deputy City Clerk, addressed to the City Council, as provided in Section 2.11(g) of this Part B.

"Senior Lien Bond Provider" means a company, banking institution or other financial institution which is the issuer of a Senior Lien Debt Service Reserve Account Credit Instrument or a municipal bond insurance policy as described in Section 2.11(e) of this Part B.

"Senior Lien Bond Initial Purchasers" means the underwriters or representatives of an underwriting syndicate or other purchasers to which, or at the direction of which, the City will sell the 2012 Senior Lien Project and Refunding Bonds of a series and with which the City will enter into the Senior Lien Bond Purchase Agreement, as the Chief Financial Officer shall designate in the related Senior Lien Bond Determination Certificate.

"Senior Lien Bond Purchase Agreement" means the Bond Purchase Agreement between the City and the Senior Lien Bond Initial Purchasers of the 2012 Senior Lien Project and Refunding Bonds of a series authorized by Section 2.11(a) of this Part B.

"Senior Lien Bond Reimbursement Agreement" means an agreement between the City and a Senior Lien Bond Provider entered into with respect to a Senior Lien Debt Service Reserve Account Credit Instrument and which pertains to the repayment of the Senior Lien Bond Provider, with interest, if any, of amounts advanced pursuant to that Senior Lien Debt Service Reserve Account Credit Instrument.

"Senior Lien Bonds" means the Series 1993 Bonds, the Series 1995 Bonds, the Series 1997 Bonds, the 2000 Senior Lien Bonds, the 2001 Senior Lien Bonds, the 2012 Senior Lien Project and Refunding Bonds and all Senior Lien Parity Bonds.

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"Senior Lien Bonds Construction Accounts" means the various accounts established for construction purposes by the Series 1995 Bond Ordinance, the Series 1997 Bond Ordinance, the Series 2000 Bond Ordinance, the Series 2001 Senior Lien Bond Ordinance, the Series 2006 Second Lien Bond Ordinance, the Series 2008 Second Lien Bond Ordinance, this Ordinance and any ordinance authorizing Senior Lien Parity Bonds.

"Senior Lien Debt Service Requirement" means, for any . Fiscal Year, the principal of and interest on Senior Lien Bonds required to be paid in that Fiscal Year. With respect to any Senior Lien Bonds for which any interest is payable by appreciation in principal amount, the Senior Lien Debt Service Requirement for a Fiscal Year includes all appreciated principal payable in that Fiscal Year but does not include the increase in principal which occurs in that Fiscal Year but is not payable in that Fiscal Year. Any Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for these purposes as being due on the date they are required to be redeemed and not on their stated maturity dates.

"Senior Lien Debt Service Reserve Account" means the separate account entitled . "Bond Debt Service Reserve Account" previously established by the City in the Water Fund and described in Section 4.03 (b) of this Part B and each Subaccount of that Account.

"Senior Lien Debt Service Reserve Account Credit Instrument" means a non-cancelable insurance policy; a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the City in lieu of or in partial substitution for cash or securities required to be on deposit in a Subaccount of the Senior Lien Debt Service Reserve Account. In the case of an insurance policy or surety bond, the Senior Lien Bond Provider of such insurance policy or surety bond, shall be an insurer which, at the time of issuance of the insurance policy or surety bond, has been assigned a credit rating which is within one of the two highest ratings, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise,

accorded insurers by at least two Rating Agencies. Letters of credit shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance of the letter of credit, a credit rating on its long-term unsecured debt within one of the two highest rating categories, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, from at least two Rating Agencies. The insurance policy, surety bond or letter of credit shall grant to the City the right to receive payment for the purposes of which the Subaccount of the Senior Lien Debt Service Reserve Account may be used or for deposit in that Subaccount and shall be irrevocable during its term.

"Senior Lien Debt Service Reserve Account Credit instrument Coverage" means, with respect to any Senior Lien Debt Service Reserve Account Credit Instrument on any date of determination, the amount available to pay principal of and interest on the Senior Lien Bonds under that Senior Lien Debt Service Reserve Account Credit Instrument.

"Senior Lien Debt Service Reserve Requirement" means, (i) with respect to each of the Series 1993 Bonds, the Series 1995 Bonds, the Series 1997 Bonds, the 2000 Senior Lien Bonds and the 2001 Senior Lien Bonds, the amount, as of any date of computation, specified in the respective ordinance of the City, as amended, authorizing those Bonds; (ii) with respect to the 2012 Senior Lien Project and Refunding Bonds, as of any date of computation, an amount equal to the least of (A) the highest future Senior Lien Debt Service Requirement of the 2012 Senior Lien Project and Refunding Bonds in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of the 2012 Senior

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Lien Project and Refunding Bonds (less any original issue discount); or (C) 125 percent of the average annual Senior Lien Debt Service Requirement on the 2012 Senior Lien Project and Refunding Bonds; and (iii) with respect to any series of Senior Lien Parity Bonds, as of any date of computation, such amounts as shall be established by the ordinance authorizing that series of Senior Lien Parity Bonds, not to exceed the least of (A) the highest future Senior Lien Debt Service Requirement of that series of Senior Lien Parity Bonds in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of that series of Senior Lien Parity Bonds (less any original issue discount); or (C) 125 percent of the average annual Senior Lien Debt Service Requirement for that series of Senior Lien Parity Bonds. Any Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for purposes of this definition as being due on the dates they are required to be redeemed and not on their stated maturity dates.

"Senior Lien Parity Bonds" means obligations issued on the date of or after the issuance of the 2012 Senior Lien Project and Refunding Bonds which are payable from Net Revenues Available for Bonds on an equal and ratable basis with the 2012 Senior Lien Project and Refunding Bonds and all other Outstanding Senior Lien Bonds.

"Senior Lien Principal and Interest Account" means the separate account entitled "Bond Principal and Interest Account" previously established by the City in the Water Fund and described in Section 4.03(a) of this Part B.

"Senior Lien Rebate Account" or "Senior Lien Rebate Accounts" means the separate account or accounts with that title in the Water Fund referred to in Section 4.03(c) of this Part B.

"Series 1993 Bond Ordinance" means the ordinance passed by the City Council on August 4, 1993, authorizing the issuance of the Series 1993 Bonds, and the Senior Lien Bond Determination Certificate of the City Comptroller in connection with the Series 1993 Bonds.

"Series 1993 Bonds" means the Water Revenue Bonds. Refunding Series 1993, of the City which are Outstanding from time to time.

"Series 1995 Bond Ordinance" means the ordinance passed by the City Council on November 8, 1995, authorizing the issuance of the Series 1995 Bonds, and the Senior Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 1995 Bonds.

"Series 1995 Bonds" means the Water Revenue Bonds, Series 1995, of the City which are Outstanding from time to time.

"Series 1997 Bond Ordinance" means the ordinance passed by the City Council on June 4, 1997, authorizing the issuance of the Series 1997 Bonds, and the Senior Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 1997 Bonds.

"Series 1997 Bonds" means the Water Revenue Bonds, Series 1997, of the City which are Outstanding from time to time.

"Series 2000 Bond Ordinance" means the ordinance passed by the City Council on November 17, 1999, authorizing the issuance of the Series 2000 Bonds, and the Senior Lien

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Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2000 Bonds.

"Series 2000 Bonds" means, collectively, the 2000 Senior Lien Bonds, the 2000 Second Lien Bonds and the 2000 Subordinate Lien Obligations of the City which are Outstanding from time to time.

"Series 2001 Bonds" means, collectively, the 2001 Senior Lien Bonds and the 2001 Second Lien Bonds and the 2001 Subordinate Lien Obligations which are Outstanding from time to time.

"Series 2001 Second Lien Bond Ordinance" means the ordinance passed by the City Council on March 7, 2001, authorizing the issuance of the 2001 Second Lien Bonds, and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the 2001 Second Lien Bonds.

"Series 2001 Senior Lien Bond Ordinance" means the ordinance passed by the City Council on October .31, 2001, authorizing the issuance of the 2001 Senior Lien Bonds and 2001 Subordinate Lien Obligations and the Senior Lien Bond Determination Certificate of the Chief Financial Officer in connection with the 2001 Senior Lien Bonds.

"Series 2004 Commercial Paper Program Indenture" means the Trust Indenture dated as of October 1, 2004 between the City and The Bank of New York Mellon Trust Company, N.A. providing for the issuance of the Series 2004 Commercial Paper Program Notes, as the same may be supplemented and amended in accordance with its terms, including as described in Section 1.11(c) of Part F of this Ordinance.

"Series 2004 Commercial Paper Program Notes" means the Water System Commercial Paper Notes, 2004 Program, Series A (Tax-Exempt) and Series B (Taxable) of the City outstanding from time to time.

"Series 2004 Second Lien Bond Ordinance" means the ordinance passed by the City Council on May 26, 2004, authorizing the issuance of the Series 2004 Second Lien Bonds and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2004 Bonds and further authorizing the Series 2004 Commercial Paper Notes.

"Series 2004 Second Lien Bonds" means the Second Lien Water Revenue Refunding Bonds, Series 2004, of the City, which are Outstanding from time to time.

"Series 2006 Second Lien Bond Ordinance" means the ordinance passed by the City Council on June

28, 2006, authorizing the issuance of the Series 2006 Second Lien Bonds and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2006 Second Lien Bonds.

"Series 2006 Second Lien Bonds" means the Second Lien Water Revenue Project and Refunding Bonds, Series 2006, of the City, which are Outstanding from time to time.

"Series 2008 Second Lien Bond Ordinance" means the ordinance passed by the City Council on September 27, 2007, authorizing, among other things, the issuance of the Series 2008 Second Lien Bonds and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2008 Second Lien Bonds.

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"Series 2008 Second Lien Bonds" means the Second Lien Water Revenue Project and Refunding Bonds, Series 2008, of the City, which are Outstanding from time to time.

"Series 2010 Second Lien Bond Ordinance" means the ordinance passed by the City Council on September 8, 2010, authorizing, among other things, the issuance of the Series 2010 Second Lien Bonds and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2010 Second Lien Bonds.

"Series 2010 Second Lien Bonds" means, collectively, the 201 OA Second Lien Bonds, the 2010B Second Lien Bonds and the 2010C Second Lien Bonds which are Outstanding from time to time.

"Series 2012 Project and Refunding Bonds" means, collectively, the 2012 Senior Lien Project and Refunding Bonds, the 2012 Second Lien Project and Refunding Bonds and the 2012 Subordinate Lien Obligations authorized by this Ordinance which are Outstanding from time to time.

"Seventh Supplemental Indenture" means the Seventh Supplemental Indenture respecting the initial series of 2012 Second Lien Project and Refunding Bonds approved in Section 2.03 of Part C of this Ordinance, as the same may be amended in accordance with its terms.

"Subordinate Lien Debt Service Reserve Subaccount" means the separate Subaccount of that name previously established by the City in the Subordinate Lien Obligations Account and described in Section 4.03 (e) of this Part B.

"Subordinate Lien Obligations" means the 2000 Subordinate Lien Obligations, the 2001 Subordinate Obligations, the 2012 Subordinate Lien Obligations and all Subordinate Lien Parity Obligations.

"Subordinate Lien Obligation Revenues" means all sums, amounts, funds or moneys which are deposited to the Subordinate Lien Obligations Account.

"Subordinate Lien Obligations Account" means the separate account of that name previously established in the Water Fund and described in Section 4.03(e) of this Part B.

"Subordinate Lien Principal and Interest Subaccount" means the separate Subaccount of that name previously established by the City in the Subordinate Lien Obligations Account and described in Section 4.03 (e) of this Part B.

"Subordinate Lien Parity Obligations" means obligations issued after the issuance of the 2012 Subordinate Lien Obligations which are payable from Subordinate Lien Obligation Revenues on an equal and ratable basis with the 2012 Subordinate Lien Obligations and all-other Outstanding Subordinate Lien Obligations.

"Supplemental Indenture" means each Supplemental Indenture duly entered into in accordance with the terms of the Second Lien Bonds Master Indenture (other than the Seventh Supplemental Indenture) (i) respecting each series of 2012 Second Lien Project and Refunding Bonds other than the initial series of such Bonds approved in Section 2.03 of Part C of this Ordinance or (ii) effecting the amendments to the Series 2004 Second Lien Bond Ordinance

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described in Section 1.11 of Part F of this Ordinance, as the same may be amended in accordance with its terms.

"Tax Credits" means any tax credits with respect to Federal Compliant Obligations that may be available under the Internal Revenue Code or other applicable Federal Compliant Obligation Authorization to the City or the owners of such Federal Compliant Obligations

"Taxable Bonds" has the meaning assigned to such term in Section 1.09 of Part F of this Ordinance. <

"Treasurer" means the Treasurer of the City.

"Treasury Department" means the United States Department of the Treasury.

"2000 Second Lien Bonds" means the Second Lien Water Revenue Bonds, Series 2000, of the City which are Outstanding from time to time.

"2000 Senior Lien Bonds" means the Senior Lien Water Revenue Bonds, Series 2000, of the City which are Outstanding from time to time.

"2000 Subordinate Lien Obligations" means the Loans authorized by and defined in the Series 2000 Bond Ordinance which are Outstanding from time to time.

"2001 Second Lien Bonds" means the Second Lien Water Revenue Refunding Bonds, Series 2001, of the City which are Outstanding from time to time.

"2001 Senior Lien Bonds" means the Senior Lien Water Revenue Bonds, Series 2001 of the City which are Outstanding from time to time.

"2001 Subordinate Lien Obligations" means the Loans authorized by and defined in the Series 2001 Senior Lien Bond Ordinance.

"201 OA Second Lien Bonds" means the Second Lien Water Revenue Bonds, Project and Refunding Series 201 OA (Tax-Exempt), of the City, which are Outstanding from time to time.

"2010B Second Lien Bonds" means the Second Lien Water Revenue Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment), of the City, which are Outstanding from time to time.

"2010C Second Lien Bonds" means the Second Lien Water Revenue Bonds, Taxable Project Series 2010C (Qualified Energy Conservation Bonds - Direct Payment), of the City, which are Outstanding from time to time.

"2012 Second Lien Project and Refunding Bonds" means the Second Lien Water Revenue Project and Refunding Bonds, Series 2012 authorized by Section 2.01 of Part C of this Ordinance.

"2012 Senior Lien Project and Refunding Bonds" means the Water Revenue Project and Refunding

Bonds, Series 2012 authorized by Section 2.01 of this Part B.

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"2012 Senior Lien Project and Refunding Bonds Cost of Issuance Account" means the separate account of that name established in the Water Fund as provided in Section 3.06 of this Part B.

"2012 Subordinate Lien Obligations" means the Loans authorized by Section 2.03 of Part D of this Ordinance and evidenced by the Loan Agreements (as defined in Part D).

"Water Fund" means the separate fund designated the "Water Fund of the Municipality of Chicago" previously established by the City and described in Section 4.02 of this Part B.

"Water Rate Stabilization Account" means the separate account of that name, previously established by the City in the Water Fund and described in Section 4.03(g) of this Part B.

"Water System" means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for water supply, distribution or collection purposes, including the Projects, any and all further extensions, improvements and additions to the foregoing.

"Water System Line of Credit Agreement" has the meaning assigned to such term in Section 1.02(a) of Part E of this Ordinance.

"Water System Line of Credit Notes" means the Water System Line of Credit Notes defined in and authorized by Section 1.02(a) of Part E of this Ordinance, payable from the Line of Credit Notes Account described in Section 4.03(g) of Part B of this Ordinance.

As used in this Ordinance with respect to any Capital Appreciation 2012 Senior Lien Project and Refunding Bond, the term "principal" refers as of any date, to a Bond's Compound Accreted Value.

## ARTICLE II

### DETAILS OF THE 2012 SENIOR LIEN PROJECT AND REFUNDING BONDS

Section 2.01. Principal Amount, Designation, Source of Payment, The City is authorized to borrow money for the purposes specified in Section 2.02 of this Part B and in evidence of its obligation to repay the borrowing is authorized to issue the 2012 Senior Lien Project and Refunding Bonds in one or more separate series in an aggregate principal amount of up to \$750,000,000, plus an additional amount equal to the amount of original issue discount (not to exceed 10 percent of the aggregate principal amount of such series of Bonds) used in the marketing of the Series 2012 Project and Refunding Bonds, provided that the maximum aggregate principal amount of 2012 Senior Lien Project and Refunding Bonds, 2012 Second Lien Project and Refunding Bonds and 2012 Subordinate Lien Obligations that may be issued under or pursuant to this Ordinance is limited to \$750,000,000, plus an amount equal to the amount of any original issue discount (not to exceed 10 percent of the aggregate principal amount of such series of Bonds) used in the marketing of such Series 2012 Project and Refunding Bonds. The 2012 Senior Lien Project and Refunding Bonds shall be designated "Water Revenue Project and Refunding Bonds, Series 2012," provided that if such Bonds shall be issued to pay Project Costs and not to refund Senior Lien Bonds or shall be issued to refund Senior Lien Bonds and not to pay Project Costs or shall be issued as Federal Compliant Obligations, the designation of such Bonds shall be adjusted accordingly and such designation

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shall be reflected in the Senior Lien Bond Determination Certificate. If the 2012 Senior Lien Project and

Refunding Bonds are issued in more than one series, each series shall be appropriately designated to indicate the order of their issuance. The 2012 Senior Lien Project and Refunding Bonds shall be limited obligations of the City having a claim for payment of principal, redemption premium and interest solely from the Net Revenues Available for Bonds and from the Construction Account: 2012 Senior Lien Project and Refunding Bonds and the Accounts established as provided in Section 4.03 of this Part B (other than the Second Lien Bonds Account and the Subordinate Lien Obligations Account), all on an equal and ratable basis with any other Senior Lien Bonds which may be Outstanding from time to time. The Senior Lien Bonds shall have no claim for payment from amounts on deposit in the Second Lien Bonds Account or the Subordinate Lien Obligations Account or from Second Lien Bond Revenues or Subordinate Lien Obligation Revenues. The 2012 Senior Lien Project and Refunding Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness and shall have no claim to be paid from taxes of the City. Each 2012 Senior Lien Project and Refunding Bond shall contain a statement to that effect.

All or any portion of the 2012 Senior Lien Project and Refunding Bonds may be issued and sold from time to time as Federal Compliant: Obligations, which Bonds shall be sold as provided; in Section 2.11 of this Part B..

Section 2.02. . . . Purposes. The borrowing and issuance of the 2012 Senior Lien Project<sup>1</sup> and Refunding Bonds authorized in Section 2.01. of this Part B shall be for any one or more of the purposes of (a) refunding the Refunded Bonds, (b) paying Project Costs, (c) funding capitalized interest on the 2012 Senior Lien Project and Refunding Bonds, (d) paying Senior Lien Bond Costs of Issuance and costs of acquiring a Senior Lien Debt Service Reserve Account Credit Instrument for the 2012 Senior Lien Project and Refunding Bonds or making a deposit in the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Debt Service Reserve Account and (e) providing for discount on the 2012 Senior Lien Project and Refunding Bonds, all as shall be provided by the Chief Financial Officer in the related Senior Lien Bond Determination Certificate. The term "paying Project Costs" shall include the refunding and retirement of the Series 2004 Commercial Paper Program Notes and the making of loans or "grants for such purpose to such parties and upon such terms as shall be determined by the Chief Financial Officer to be in the best interests of the City.

Section 2.03. Date, Denominations/ Numbers. The 2012 Senior Lien Project and Refunding Bonds, other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, shall be issued as fully registered bonds without coupons in denominations of \$1,000 or any integral multiple of that amount or \$5,000 or any integral multiple of that amount, as shall be determined by the Chief Financial Officer at the time of sale of such 2012 Senior Lien Project and Refunding Bonds (the "Authorized Denominations"). They shall initially be dated either as of the date of their issuance or as of the first day of the month in which they are initially issued and delivered to the Senior Lien Bond Initial Purchasers, as determined by the Chief Financial Officer, or on the May 1 or November 1 on or next preceding the date of their authentication and delivery to which interest has been paid, whichever is later. Any Capital Appreciation 2012 Senior Lien Project and Refunding Bond shall be dated as of the date they are initially issued and delivered to the Senior Lien Bond Initial Purchasers and shall be issued as fully registered bonds without coupons in denominations of \$5,000 principal amount at maturity or any integral multiple of that amount. 2012 Senior Lien Project and Refunding Bonds shall be numbered as provided in the related Senior Lien Bond Determination Certificate.

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Section 2.04. Maturity. The principal of the 2012 Senior Lien Project and Refunding Bonds (including the Compound Accreted Value at maturity for all Capital Appreciation 2012 Senior Lien Project and Refunding Bonds) shall be payable (either at maturity or pursuant to mandatory sinking fund redemption), on November 1 in the years and in the amounts provided in the Senior Lien Bond Determination Certificate, subject to the limitation that no 2012 Senior Lien Project and Refunding Bond shall mature later than November 1, 2043. Capital Appreciation 2012 Senior Lien Project and Refunding Bonds also may mature on May 1 of the years



(but no later than 2043) and in the Compound Accreted Values at maturity provided in the related Senior Lien Bond Determination Certificate. The 2012 Senior Lien Project and Refunding Bonds may be issued as serial bonds, as term bonds subject to mandatory sinking fund redemption, as Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, or any combination of serial bonds, term bonds or Capital Appreciation 2012 Senior Lien Project and Refunding Bonds. The maturity dates and principal amounts of the 2012 Senior Lien Project and Refunding Bonds and any designation of 2012 Senior Lien Project and Refunding Bonds as Capital Appreciation 2012 Senior Lien Project and Refunding Bonds shall be as provided in the Senior Lien Bond Determination Certificate, which shall be consistent with the terms of the sale of the 2012 Senior Lien Project and Refunding Bonds in the Senior Lien Bond Purchase Agreement.

#### **Section 2.05. Redemption; Notice of Redemption.**

v: (a) Redemption Terms: The 2012 Senior Lien Project and Refunding Bonds, other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, shall be subject to redemption, in whole or in part, at the option of the City, at a price equal to their principal amount, plus accrued interest to the date of redemption if not an interest payment date, and, subject to the remaining provisions of this Section 2.05. upon such other terms as the Chief Financial Officer shall provide in the related Senior Lien Bond Determination Certificate, each and all of which the Chief Financial Officer is authorized to determine and approve on behalf of and in the name of the City. Capital Appreciation 2012 Senior Lien Project and Refunding Bonds shall be subject to redemption, in whole or part, at the option of the City, if the Chief Financial Officer determines that such redemption is advantageous to and desirable for the City, such determination to be reflected in the related Senior Lien Bond Determination Certificate, and which such determination the Chief Financial Officer is authorized, to make and approve on behalf of and in the name of the City. Any Capital Appreciation 2012 Senior Lien Project and Refunding Bonds subject to Optional redemption shall be redeemed" at a price equal to their Compound Accreted Value as of the applicable redemption date and, subject to the remaining provisions of this Section 2.05. upon such other terms as the Chief Financial Officer shall provide in the related Senior Lien Bond Determination Certificate, each and all of which each the Chief Financial Officer is authorized to determine and approve on behalf of and in the name of the City. The 2012 Senior Lien Project and Refunding Bonds, other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, shall be subject to optional redemption at a redemption price not exceeding 103 percent of the principal amount of the 2012 Senior Lien Project and Refunding Bonds to be so redeemed. Any Capital Appreciation 2012 Senior Lien Project and Refunding Bonds which are subject to optional redemption shall be redeemable at a redemption price not exceeding 103 percent of the Compound Accreted Value of Capital Appreciation 2012 Senior Lien Project and Refunding Bonds to be so redeemed.

The 103 percent limitations set forth in the preceding paragraph on the redemption price of 2012 Senior Lien Project and Refunding Bonds shall not apply where the redemption price is to be based upon a formula designed to compensate the owner of the Bonds to be redeemed based upon prevailing market conditions on the date fixed for redemption, commonly known as

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a "make-whole" redemption price (the "Make-Whole Redemption Price"). At the time of sale of the 2012 Senior Lien Project and Refunding Bonds, the Chief Financial Officer shall determine the provisions of the formula to be used to establish any Make-Whole Redemption Price, which may vary depending on whether such Bonds are issued as Taxable Bonds or issued on a tax-exempt basis or, in the case of the redemption of Federal Compliant Obligations, on whether such Bonds are being redeemed as a result of an occurrence of an "Extraordinary Event" as determined by the Chief Financial Officer, including, but not limited to, any determination by the City that a change has occurred to any applicable section of the Internal Revenue Code or of the applicable Federal Compliant Obligation Authorization, or there is any guidance published by the Internal Revenue Service, the Treasury Department or other applicable department or agency of the United States Government with respect to such sections or any other determination by the Internal Revenue Service, the Treasury Department or other applicable department or agency of the United States Government, pursuant to which the Federal Subsidies with respect to the Federal Compliant Obligations are reduced,

eliminated or adversely-affected. The Chief Financial Officer shall confirm and transmit the applicable Make-Whole Redemption Price on such dates and to such parties as shall be necessary to effectuate such redemption.

(b) -Mandatory Sinking Fund Redemption. Any term 2012 Senior Lien Project and Refunding Bonds subject to mandatory sinking fund redemption shall be selected for redemption by lot by the Bond Registrar, as provided below, and shall be so redeemed at a price of 100 percent of the principal amount of the 2012 Senior Lien Project and Refunding Bonds to be redeemed plus accrued interest to the date fixed for redemption if not an interest payment date. In lieu of making all or any part of any sinking fund payment in cash, the City may, at its option, redeem the 2012 Senior Lien Project and Refunding Bonds through the purchase of 2012 Senior Lien Project and Refunding Bonds in the open market or by tender therefor. 2012 Senior Lien Project and Refunding Bonds shall not be purchased in the open market from money in the Water Fund at a price in excess of the principal amount of the 2012 Senior Lien Project and Refunding Bonds plus the redemption premium applicable to the redemption of such 2012 Senior Lien Project and Refunding Bonds on the next date on which they may be optionally redeemed and accrued and unpaid interest on the principal of the purchased 2012 Senior Lien Project and Refunding Bonds to the date of purchase (or for Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, their Compound Accreted Value at "such date of purchase plus any redemption premium on their next redemption date). The amount of mandatory sinking fund redemption payments due for any 2012 Senior Lien Project and Refunding Bonds shall be reduced upon the redemption of 2012 Senior Lien Project and Refunding Bonds other than pursuant to mandatory sinking fund redemption (or by the purchase for cancellation of 2012 Senior Lien Project and Refunding Bonds from money otherwise to be used for such redemption not pursuant to mandatory sinking fund redemption), on or prior to the due dates of specific mandatory sinking fund payments. The total credit against mandatory sinking fund payments shall equal the amount of 2012 Senior Lien Project and Refunding Bonds so redeemed or purchased. An amount equal to the aggregate principal amount of the Outstanding 2012 Senior Lien Project and Refunding Bonds that have been redeemed or purchased and canceled shall be applied to reduce the sinking fund installments due, provided that such amount shall reduce the sinking fund installments in denominations of \$5,000 and integral multiples of \$5,000. The Chief Financial Officer shall in his or her sole discretion determine the amounts and due dates of the mandatory sinking fund payments against which the redemption or purchase shall be credited, and shall notify the Bond Registrar in writing of such determination.

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c) Partial Redemption of Bonds. At the time of sale of any 2012 Senior Lien Project and Refunding Bonds, the Chief Financial Officer is authorized to determine the manner of redeeming such Bonds either by lot or on a pro-rata basis as provided herein.

i) Redemption by lot. In the event of a redemption of fewer than all the 2012 Senior Lien Project and Refunding Bonds of a specified maturity and interest rate within such maturity, the Bond Registrar shall assign to each Outstanding 2012 Senior Lien Project and Refunding Bond of a denomination greater than the applicable minimum Authorized Denomination (the "Minimum Denomination") a distinctive number for each portion of such Bond equal to the applicable Minimum Denomination so as to distinguish each such portion from each other portion of such 2012 Senior Lien Project and Refunding Bond. The Bond Registrar shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to the 2012 Senior Lien Project and Refunding Bonds as many numbers as, at the applicable Minimum Denomination for each number, shall equal the principal amount of 2012 Senior Lien Project and Refunding Bonds to be redeemed. The 2012 Senior Lien Project and Refunding Bonds to be redeemed shall be the 2012 Senior Lien Project and Refunding Bonds to which were assigned the numbers so selected, but only so much of the principal amount of each such 2012 Senior Lien Project and Refunding Bond of a denomination greater than the applicable Minimum Denomination shall be redeemed as shall equal the applicable Minimum Denomination for each number assigned to it and so selected: The foregoing

procedure shall be applied to any Capital Appreciation 2012 Senior Lien Project and Refunding Bonds to be so redeemed in denominations equal to the applicable Minimum Denomination of Compound Accreted Value at maturity.

ii) Pro-rata Redemption. In the event of a redemption of fewer than all of the 2012 Senior Lien Project and Refunding Bonds of a specified maturity and interest rate within such maturity, if the 2012 Senior Lien Project and Refunding Bonds are held in book-entry form at the time of redemption, at the time of sale of such Bonds, the Chief Financial Officer is authorized to direct the Bond Registrar to instruct the book-entry depository to select the specific 2012 Senior Lien Project and Refunding Bonds within such maturity and interest rate for redemption pro-rata among such Bonds. If so determined by the applicable book-entry depository, the particular 2012 Senior Lien Project and Refunding Bonds or portions thereof to be redeemed may be selected on a pro-rata pass-through distribution of principal basis in accordance with the applicable procedures and Operational arrangements of such depository. The City shall have no responsibility or obligation to insure that the book-entry depository properly selects such Bonds for redemption.

d) Notice of Redemption. Notice of redemption shall be given by first class mail, postage prepaid, not fewer than 30 nor more than 60 days prior to the date fixed for redemption to each Registered Owner of 2012 Senior Lien Project and Refunding Bonds to be redeemed at such Registered Owner's address as shown in the bond register kept by the Bond Registrar and by such other additional method, if any, as the City shall deem appropriate. Notice of redemption shall specify the maturities and interest rates within such maturities of the 2012 Senior Lien Project and Refunding Bonds to be redeemed, the date fixed for redemption and, if fewer than all of the 2012 Senior Lien Project and Refunding Bonds of any specified maturity and interest rate within such maturity are to be redeemed, the numbers of such 2012 Senior Lien Project and Refunding Bonds to be redeemed and, in the case of 2012 Senior Lien Project and Refunding Bonds to be redeemed in part only, the respective portions of the principal amounts of such 2012 Senior Lien Project and Refunding Bonds to be redeemed. Failure to

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give such notice by mail or a defect in the notice or the mailing as to any 2012 Senior Lien Project and Refunding Bond will not affect the validity of any proceedings for redemption as to any other 2012 Senior Lien Project and Refunding Bond as to which notice was given properly and the failure of any Registered Owner of a 2012 Senior Lien Project and Refunding Bond to receive the notice shall not affect the validity of the redemption.

With respect to an optional redemption of any 2012 Senior Lien Project and Refunding Bonds, unless moneys sufficient to pay the principal of, redemption premium, if any, and interest on the 2012 Senior Lien Project and Refunding 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 City, state that said redemption shall be conditional upon the receipt of such moneys by the Paying Agent 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 City shall not redeem such 2012 Senior Lien Project and Refunding 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 2012 Senior Lien Project and Refunding Bonds will not be redeemed.

If less than the entire principal amount of a 2012 Senior Lien Project and Refunding Bond shall be called for redemption, the City shall execute and the Authenticating Agent shall authenticate and deliver, upon surrender of such 2012 Senior Lien Project and Refunding Bond, without charge to the Registered Owner, one or more new 2012 Senior Lien Project and Refunding Bonds of any authorized denomination, of like maturity, interest rate and aggregate principal amount as the Unredeemed balance of the principal amount of the 2012 Senior Lien Project and Refunding Bond so surrendered. If, on the date fixed for redemption,, (a) money in an amount equal to the redemption price of the 2012 Senior Lien Project and Refunding Bonds to be redeemed shall be held by the Paying Agent and is available for such redemption and (b) notice of redemption

shall have been given as described above, interest on the 2012 Senior Lien Project and Refunding Bonds so redeemed shall cease from and after the date fixed for redemption.

Section 2.06. interest. The 2012 Senior Lien Project and Refunding Bonds shall bear interest from their date until principal is paid at a rate or rates per year determined by the Chief Financial Officer and provided in the related Senior Lien Bond Determination Certificate, which shall be in the judgment of the Chief Financial Officer the best interest rates for which the 2012 Senior Lien Projected Refunding Bonds can be sold in the market and which, in the aggregate, result in a net interest cost (expressed as a percentage) not in excess of 15 percent per year computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2012 Senior Lien Project and Refunding Bonds, other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, shall be payable semi-annually on May 1 and November 1 in each year, with the first interest payment date being as provided by the Chief Financial Officer in the related Senior Lien Bond Determination Certificate. Capital Appreciation 2012 Senior Lien Project and Refunding Bonds shall bear interest payable either solely by an appreciation in their principal amount, from their date, compounded on each May 1 and November 1, or by such appreciation to a specified compounding date and then by current interest as provided for current interest 2012 Senior Lien Project and Refunding Bonds, all as provided in the related Senior Lien Bond Determination Certificate.

#### **Section 2.07. Places and Medium of Payment.**

(a) Interest on each 2012 Senior Lien Project and Refunding Bond (other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds), shall be paid on each

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interest payment date to the person in whose name the 2012 Senior Lien Project and Refunding Bond is registered in the bond register kept by the Bond Registrar at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. Interest shall be paid by check or draft mailed to such Registered Owner at such owner's address as it appears in the bond register or, at the request of Registered Owners of more than \$1,000,000 total principal amount of 2012 Senior Lien Project and Refunding Bonds (other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds), by wire transfer to such bank in the continental United States as the Registered Owner of the 2012 Senior Lien Project and Refunding Bonds shall request in writing to the Bond Registrar.

b) Principal of and redemption premium, if any, on any 2012 Senior Lien Project and Refunding Bond shall be paid only upon presentation and surrender of that 2012 Senior Lien Project and Refunding Bond for cancellation at the principal corporate trust office of the Paying Agent. The Paying Agent is authorized to pay the principal of and the premium, if any, on the 2012 Senior Lien Project and Refunding Bonds as provided in this paragraph.

c) Payment shall be made in lawful money of the United States of America.

Section 2.08. Transfers and Exchanges of Bonds. The City shall cause a bond register for the registration and transfer of 2012 Senior Lien Project and Refunding Bonds to be maintained at the principal corporate trust office of the Bond Registrar.

Any 2012 Senior Lien Project and Refunding Bond of a series may be transferred only upon surrender of such 2012 Senior Lien Project and Refunding Bond to the Bond Registrar, upon which the City shall execute and the Authenticating Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new 2012 Senior Lien Project and Refunding Bonds of any authorized denomination, of like series, maturity, interest rate and aggregate principal amount as the 2012 Senior Lien Project and Refunding Bond surrendered.

At the option of the Registered Owner of a 2012 Senior Lien Project and Refunding Bond of a series, such 2012 Senior Lien Project and Refunding Bond may be exchanged for another 2012 Senior Lien Project

and Refunding Bond or 2012 Senior Lien Project and Refunding Bonds of any authorized denomination, of like, series, maturity, interest rate and aggregate principal amount, upon surrender of the 2012 Senior Lien Project and Refunding Bond to be exchanged to the Bond Registrar. Upon such surrender for exchange, the City shall execute and the Authenticating Agent shall authenticate and deliver the 2012 Senior Lien Project and Refunding Bonds which the Registered Owner making the exchange is entitled to receive.

Every 2012 Senior Lien Project and Refunding Bond presented or surrendered for transfer or exchange shall (if so required by the Bond Registrar) be duly endorsed, or shall be accompanied by a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by the Registered Owner of the Bond or such owner's duly authorized representative.

In all cases in which 2012 Senior Lien Project and Refunding Bonds are to be transferred or exchanged, the Bond Registrar may require payment of a sum sufficient to cover any tax, fee or other general governmental charge that may be imposed and to reimburse it for any expenses incurred in connection with such transfer or exchange. The Bond Registrar shall not be required to transfer or exchange any 2012 Senior Lien Project and Refunding Bond during a period beginning at the opening of business on the 15th day next preceding any date of

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selection of 2012 Senior Lien Project and Refunding Bonds to be redeemed and ending at the close of business on the day on which notice of redemption is given or after notice selecting such Bond for redemption has been given.

The 2012 Senior Lien Project and Refunding Bonds may be deposited with a fiscal agent in New York, New York, or such other agent as the Bond Registrar, may designate, for transmission to the Bond Registrar for purposes of exchange or transfer.

The City and any agent of the City may deem and treat the person in whose name any 2012 Senior Lien Project and Refunding Bond is registered as the absolute owner of such 2012 Senior Lien Project and Refunding Bond for the purpose of receiving payment of or on account of the principal of, redemption premium, if any, and interest on such 2012 Senior Lien Project and Refunding Bond, and for all other purposes. Neither the City nor any agent of the City shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon such 2012 Senior Lien Project and Refunding Bond to the extent of the sum or sums paid. :

Section 2.09. Lost, Stolen, Mutilated or Destroyed Bonds. If any 2012 Senior Lien Project and Refunding Bond becomes mutilated or is lost, stolen or destroyed, the City may execute and the Authenticating Agent shall authenticate and deliver a new 2012 Senior Lien Project and Refunding Bond of the same series, date of issue, maturity date, principal amount and interest rate per annum as the 2012 Senior Lien Project and Refunding Bond mutilated, lost, stolen or destroyed. provided- that (a) in the case of a mutilated 2012 Senior Lien Project and Refunding Bond, the 2012 Senior Lien Project and Refunding Bond is first surrendered to the City, (b) in the case of any lost, stolen or destroyed 2012 Senior Lien Project and Refunding Bond, there is first furnished both evidence of loss, theft or destruction and an indemnity satisfactory to the City and the Bond Registrar, (c) all other reasonable requirements of the City are complied with and (d) expenses in connection with the transaction are paid by the Registered Owner of: such 2012 Senior Lien Project and Refunding Bonds. Any new 2012 Senior Lien Project and Refunding Bonds issued pursuant to this Section 2.09 in substitution for 2012 Senior Lien Project and Refunding Bonds alleged to have been destroyed, stolen or lost shall constitute original contractual obligations on the part of the City whether or not the 2012 Senior Lien Project and Refunding Bonds alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other 2012 Senior Lien Project and Refunding Bonds in any money or securities held by the City or any Paying Agent for the benefit of such Registered Owners.

Section 2.10. Form, Execution of Bonds.

a) Each 2012 Senior Lien Project and Refunding Bond and the Authenticating Agent's Certificate of Authentication to be endorsed on such 2012 Senior Lien Project and Refunding Bond shall be in substantially the form attached to this Ordinance as Exhibit A. with necessary and appropriate variations, omissions and insertions as permitted or required by this Part B, including those necessary in connection with the issuance of such Bonds as (i) Capital Appreciation 2012 Senior Lien Project and Refunding Bonds and/or (ii) Federal Compliant Obligations.

b) Each 2012 Senior Lien Project and Refunding Bond shall be executed by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the City Clerk or the Deputy City Clerk, shall have the corporate seal of the City

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affixed, impressed or printed on such 2012 Senior Lien Project and Refunding Bond and shall be authenticated by the manual signature of the Authenticating Agent. If any officer of the City whose manual or facsimile signature appears on any 2012 Senior Lien Project and Refunding Bond shall cease to be such officer before the delivery of such 2012 Senior Lien Project and Refunding Bond, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes, as if such officer had remained in office until delivery.

c) The Mayor, the City Clerk and the Deputy City Clerk (if they have not already done so) are each authorized to file with the Illinois Secretary of State their manual signatures certified by them pursuant to the Uniform Facsimile Signature of Public Officials Act, as amended. The use of their facsimile signatures to execute the 2012 Senior Lien Project and Refunding Bonds is authorized by this Ordinance, and their facsimile signatures are adopted as their respective manual signatures, without further action on the part of such officers.

d) No 2012 Senior Lien Project and Refunding Bond shall be valid for any purpose unless and until a certificate of authentication of the 2012 Senior Lien Project and Refunding Bond substantially in the form set forth in the form of 2012 Senior Lien Project and Refunding Bonds attached as Exhibit A to this Ordinance shall have been duly executed by the Authenticating Agent with respect to that 2012 Senior Lien Project and Refunding Bond. The executed certificate upon any such 2012 Senior Lien Project and Refunding Bond shall be conclusive evidence that such 2012: Senior Lien Project and: Refunding Bond has been authenticated and delivered under<sup>^</sup>this Ordinance. The-Authenticating Agent's certificate of authentication on any 2012 Senior Lien Project and Refunding Bond shall be deemed to have been executed by it if signed by the Chief Financial Officer or signatory of the Authenticating Agent. It shall not be necessary that the same officer or signatory sign the certificate of authentication on each of the 2012 Senior Lien Project and Refunding Bonds. The Authenticating Agerit is authorized and directed to cause 2012 Serior Lien Project and Refunding Bonds executed by the City to be'authenticated at the request of the City in accordance with the provisions of this Part B.

Section 2.11. Sale of 2012 Senior Lien Project and Refunding Bonds.

(a) The Chief Financial Officer is authorized to execute on behalf of the City, with the concurrence of the Chairman of the Committee on Finance-of the City Council, a Senior. Lien Bond Purchase Agreement for the sale by the City to the Serior Lien Bond Initial Purchasers of a series of 2012 Senior Lieri Project arid Refunding<sup>s-</sup> Bonds' pursuant to a negotiated sale on such terms as the Chief Financial Officer may deem to be in the best interests of the City as provided in this Ordinance. Such terms include, without limitation, (i) the aggregate principal amount of the 2012 Senior Lien Project arid Refunding Bonds of such series, (ii) the amount of any original issue discount or premium, (iii) the principal amount of the 2012 Senior Lien Project and Refunding Bonds of such series maturing in each year, (j'v) whether ariy of the 2012 Senior Lien Project and Refunding Bonds are being issued and sold as Taxable Bonds and/or Federal Compliant Obligations, (v)

the issuance of the 2012 Senior Lien Project and Refunding Bonds of such series as serial bonds, non-callable term bonds, term bonds subject to mandatory sinking fund redemption or Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, or any combination of serial bonds, non-callable term bonds; term bonds subject to mandatory sinking fund redemption or Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, (vi) whether any Capital Appreciation 2012 Senior Lien Project and Refunding Bonds will also bear any current interest, (vii) the numbering of the 2012 Senior Lien Project and Refunding Bonds, (viii) the interest rate or rates for the 2012 Senior Lien Project and Refunding Bonds of such series, (ix) the method by which and rate at which the Compound Accreted Value of

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Capital Appreciation 2012 Senior Lien Project and Refunding Bonds shall be established, (x) whether the Senior Lien Debt Service Reserve Requirement for the 2012 Senior Lien Project and Refunding Bonds of such series will be met by a Senior Lien Debt Service Reserve Account Credit Instrument or by cash from proceeds of the 2012 Senior Lien Project and Refunding Bonds or cash on hand in the Water Fund, (xi) the first interest payment and compounding dates, (xii) the purposes for which the 2012 Senior Lien Project and Refunding Bonds of such series are being issued pursuant to the authorization granted in Section 2.02 of this Part B. and (xiii) the prices and other terms upon which the 2012 Senior Lien Project and Refunding Bonds are subject to redemption, all as provided in and subject to the limitations expressed in this Article II. including the limitation specified in Section 2.05 of this Part B- The purchase price of the 2012 Senior Lien Project and Refunding Bonds of a series shall not be less than 97 percent of the principal amount of such 2012 Senior Lien Project and Refunding Bonds of a series plus accrued interest on such 2012 Senior Lien Project and Refunding Bonds (other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds) from their date to the date of their delivery; less any original issue discount on such 2012 Senior Lien Project and Refunding Bonds. The Chief Financial Officer shall determine the principal amount of the 2012 Senior Lien Project and Refunding Bonds of such, series necessary to be issued for the purposes for which they are to be issued within the maximum aggregate principal amount specified in this Part B. The Senior Lien Bond Purchase Agreement shall be in substantially the form previously used for similar financings of the City with appropriate revisions to reflect the terms and provisions of the 2012 Senior Lien Project and Refunding Bonds of each series and such other revisions in text as the Chief Financial Officer shall determine are desirable or necessary in connection with the sale of the 2012 Senior Lien Project and Refunding Bonds of such, series. The Chief Financial Officer may in the Senior Lien Bond Determination Certificate provide for such changes to the terms of the 2012 Senior Lien Project and Refunding Bonds of such series, the form of the 2012 Senior Lien Project and Refunding Bonds of such series and the various bond covenants from those provided in this Part B as he or she shall determine but which shall result in the 2012 Senior Lien Project and Refunding Bonds of such series having substantially the terms and being in substantially the form provided in this Part B. Nothing in this Section 2.11 shall limit or restrict the ability of the City to sell the 2012 Senior Lien Project and Refunding Bonds by one or more private placements.

b) The Chief Financial Officer shall in the Senior Lien Bond Determination Certificate for the initial series of 2012 Senior Lien Project and Refunding Bonds designate the Authenticating Agent and the Bond Registrar in respect of the 2012 Senior Lien Project and Refunding Bonds. The Chief Financial Officer is further authorized to take the actions and execute and deliver the documents and instruments specified in this Part B. The Chief Financial Officer shall in the Senior Lien Bond Determination Certificate for any series of 2012 Senior Lien Project and Refunding Bonds The 2012 Senior Lien Project and Refunding Bonds of such series shall be then duly prepared and executed in the form and manner provided in this Part B and delivered to the Senior Lien Bond Initial Purchasers in accordance with the terms of sale.

c) The Chief Financial Officer is hereby authorized to designate in the Senior Lien Bond Determination Certificate for any series of 2012 Senior Lien Project and Refunding Bonds all or any portion of said Bonds as Federal Compliant Obligations pursuant to the applicable Federal Compliant Obligation Authorization and to make any necessary elections to have all applicable provisions of the Internal Revenue Code apply thereto, to the extent required by such applicable Federal Compliant Obligation Authorization. "

d) The Chief Financial Officer is authorized to cause to be prepared and delivered to prospective purchasers of the 2012 Senior Lien Project and Refunding Bonds of a series a

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Preliminary Official Statement or other disclosure document, as shall be approved by the Chief Financial Officer, that shall be in substantially the form previously used for similar financings of the City with appropriate revisions to reflect the terms and provisions of the 2012 Senior Lien Project and Refunding Bonds of such series and to describe accurately the current condition of the Water System and the parties to the financing. Upon sale of the 2012 Senior Lien Project and Refunding Bonds of a series, the Chief Financial Officer is authorized to cause a final Official Statement or other disclosure document to be prepared, executed and (i) delivered to the Senior Lien Bond Initial Purchasers and (ii) filed with the Office of the City Clerk or the Deputy City Clerk directed to the City Council.

e) Upon a finding by the Chief Financial Officer that the purchase of municipal bond insurance for the 2012 Senior Lien Project and Refunding Bonds of a series is likely to facilitate the marketing and sale of such 2012 Senior Lien Project and Refunding Bonds and permit completion of such sale in a timely fashion, and that such insurance is available at an acceptable premium, the Chief Financial Officer is authorized to cause the City to purchase a policy of municipal bond insurance for such 2012 Senior Lien Project and Refunding Bonds, payable from amounts received upon the sale of such 2012 Senior Lien Project and Refunding Bonds or from available funds in the Water Fund, and to execute any related agreements with the Senior Lien Bond Provider of such municipal bond insurance. Such policy shall be provided by a bond insurance company or association approved by the Chief Financial Officer. In addition; upon a finding by the Chief Financial Officer that the purchase of a Senior Lien Debt Service Reserve Account Credit Instrument is appropriate, and that such Senior Lien Debt Service Reserve Account Credit Instrument is available at an acceptable cost, the Chief Financial Officer is authorized to cause the City to obtain a Senior Lien Debt Service Reserve Account Credit Instrument to satisfy the Senior Lien Debt Service Reserve Requirement for the 2012 Senior Lien Project and Refunding Bonds of a series, the cost of which shall be payable from amounts received upon the sale of 2012 Senior Lien Project and Refunding Bonds of such series or from available funds in the Water Fund, and to execute a Senior Lien Bond Reimbursement Agreement and any related agreements with the Senior Lien Bond Provider of such Senior Lien Debt Service Reserve Account Credit Instrument. The Chief Financial Officer may on behalf of the City make necessary covenants with respect to any municipal bond insurance or Senior Lien Debt Service Reserve Account Credit Instrument consistent with this Ordinance, including, without limitation, granting the provider of a policy of municipal bond insurance or Senior Lien Bond Provider the right to consent to amendments to this Ordinance on behalf of the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds of a series so long as such provider is not in default and is observing its obligations under such policy or Senior Lien Debt Service Reserve Account Credit Instrument.

f) Subsequent to each such sale, the Chief Financial Officer shall file in the Office of the City Clerk or the Deputy City Clerk directed to the City Council (i) a Senior Lien Bond Determination Certificate setting forth the terms of sale of the 2012 Senior Lien Project and Refunding Bonds of a series consistent with Section 2.11(a), (b), (c) and (e) of this Part B. (ii) an executed copy of the Senior Lien Bond Purchase Agreement, reflecting concurrence of the Chairman of the Committee on Finance of the City Council in the determinations made by the Chief Financial Officer as to the terms of sale of the 2012 Senior Lien Project and Refunding Bonds of such series and (iii) the Preliminary Official Statement, the final Official Statement and/or other disclosure document of the City as provided in Section 2.11(d) of this Part B.

g) The 2012 Senior Lien Project and Refunding Bonds may be issued in either certificated or book-entry form as determined by the Chief Financial Officer. If so determined and directed by the Chief Financial Officer in the Senior Lien Bond Determination Certificate in

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connection with the sale of any of the 2012 Senior Lien Project and Refunding Bonds, the 2012 Senior Lien Project and Refunding Bonds shall be issued in book-entry only form. In connection with the issuance of 2012 Senior Lien Project and Refunding Bonds in book-entry only form, the Chief Financial Officer is authorized to execute and deliver to the book-entry depository selected by the Chief Financial Officer such depository's standard form of representation letter.

### ARTICLE III

#### **SENIOR ESCROW ACCOUNT; DISPOSITION OF 2012 SENIOR LIEN PROJECT AND REFUNDING BOND PROCEEDS; CONSTRUCTION ACCOUNT: 2012 SENIOR LIEN PROJECT AND REFUNDING BONDS**

Section 3.01.. Escrow, for Refunded Senior Lien Bonds, The City shall establish an account (the "Senior Escrow Account") for the defeasance of Refunded Senior Lien Bonds with a paying agent for the Refunded Senior Lien Bonds as selected by the Chief Financial Officer, as Escrow Trustee. From the amounts received, upon the sale of the 2012 Senior Lien Project and Refunding Bonds, the City shall make an irrevocable deposit into the Senior Escrow Account of an amount sufficient to purchase investment obligations and to deposit cash which shall be sufficient to defease the Refunded Senior Lien Bonds, as provided in the respective ordinances of the City authorizing the Refunded Senior Lien Bonds. The City shall enter into an agreement (the "Senior Escrow Agreement") with the Escrow Trustee in a form as shall be determined by the Chief Financial Officer. The Chief Financial Officer is authorized to execute such Senior Escrow Agreement on behalf of the City. The City shall, by entering into a Senior Escrow Agreement, irrevocably determine to call each Refunded Senior Lien Bond at its earliest optional redemption date or such other date as may be specified therein. The Chief Financial Officer is authorized to enter into one or more escrow reinvestment agreements providing for the-investment by the. Escrow Trustee of cash balances in the Senior Escrow Account in Defeasance Obligations and for the City to receive the investment income under the agreement, either for deposit in the Senior Escrow Account or in the Water Fund as determined by the Chief Financial Officer. The City shall deposit proceeds of the 2012 Senior Lien Project and Refunding Bonds issued to provide for the refunding of Refunded Second Lien Bonds and Refunded Subordinate Lien Obligations into the Second Escrow Account in the amounts and in the manner set forth in Section 3.01 of Part C of this Ordinance.

Section 3.02. Deposit into Senior Lien Debt Service Reserve Account. Subject to Section 3.03 below, there shall be deposited in the Senior Lieri Debt Service Reserve Account from the proceeds of the 2012 Senior Lien Project and Refunding Bonds of a series and such other sources as necessary any amount required upon the issuance of such 2012 Senior Lien Project and Refunding Bonds to cause the balance in the Senior Lien Debt Service Reserve Account to equal the Senior Lien Debt Service Reserve Requirement or, alternatively, to pay the costs of any Senior Lien Debt Service Reserve Account Credit Instrument. No more than 10 percent of the proceeds of any series of the 2012 Senior Lien Project and Refunding Bonds shall be deposited in the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Debt Service Reserve Account.

Section 3.03. Senior Lien Debt Service Reserve Account Credit Instrument. The City shall, to the extent that deposit is not made from a cash deposit either from proceeds of the 2012 Senior Lien Project and Refunding Bonds of a series or as provided in Section 3.02 above, upon the issuance of the 2012 Senior Lien Project and Refunding Bonds of a series, acquire a Senior Lien Debt Service Reserve Account Credit Instrument with a Senior Lien Debt Service

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Reserve Account Credit Instrument Coverage sufficient to meet the Senior Lien Debt Service Reserve

Requirement in respect of such 2012 Senior Lien Project and Refunding Bonds. The Chief Financial Officer is authorized to purchase such an instrument on behalf of the City and may execute a Senior Lien Bond Reimbursement Agreement on behalf of the City with the Senior Lien Bond Provider. The Chief Financial Officer may on behalf of the City make necessary covenants with respect to such instrument consistent with this Ordinance. The City shall apply amounts received upon the sale of the 2012 Senior Lien Project and Refunding Bonds of a series, or other amounts in the Water Fund, to pay costs to the City of acquiring any Senior Lien Debt Service Revenue Account Credit Instrument authorized by this Section 3.03.

Section 3.04. Accrued interest. Accrued interest on 2012 Senior Lien Project and Refunding Bonds of a series (other than Capital Appreciation 2012 Senior Lien Project and Refunding Bonds) shall be deposited to the credit of the Senior Lien Principal and Interest Account described in Section 4:03 of this Part B.

**Section 3.05. Construction Account: 2012 Senior Lien Project and Refunding Bonds - Establishment, Deposit of Funds, Uses.**

a) The City shall establish a separate account in the Water Fund designated the "Construction Account: 2012 Senior Lien Project and Refunding Bonds." The City may establish one or more, subaccounts within that account if more than one series of 2012 Senior Lien Project and Refunding Bonds is issued, in which event references in this Ordinance to such account shall be deemed, when appropriate, to refer to the appropriate subaccount of such account.

b) The proceeds of sale of the 2012 Senior Lien Project and Refunding Bonds of a series remaining after the deposits required by Sections 3.01, 3.02, 3.04 and 3.06 of this Part B have been made shall be deposited to the credit of the Construction Account: 2012 Senior Lien Project and Refunding Bonds. This account shall be deposited in a separate account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. Funds in the Construction Account: 2012 Senior Lien Project and Refunding Bonds shall be invested by the depository at the direction of the Chief Financial Officer in Permitted Investments, provided that such investments shall be scheduled to mature before needed to pay Project Costs, including Senior Lien Bond Costs of Issuance. All interest received on or profits derived from such investments shall remain in the Construction Account: 2012 Senior Lien Project and Refunding Bonds.

c) Disbursements shall be made from the Construction Account: 2012 Senior Lien Project and Refunding Bonds from time to time for the purpose of paying Project Costs, including Senior Lien Bond Costs of Issuance. The money received from the sale of the 2012 Senior Lien Project and Refunding Bonds and set aside in the Construction Account: 2012 Senior Lien Project and Refunding Bonds shall be used to provide funds for all or any part of the Projects. The Projects for which disbursements may be made from the Construction Account-Series 2012 Senior Lien Project and Refunding Bonds may be amended by the Chief Financial Officer or the Budget Director of the City to provide for the efficient operation of the Water System.

Within 60 days after completion of the Projects and the payment of all Project Costs, any funds remaining in the Construction Account: 2012 Senior Lien Project and Refunding Bonds shall be transmitted by said depository to the City for transfer to the Senior Lien Debt Service

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Reserve Account, or, if such account is fully funded, to the Water Fund for use in accordance with Section 5.09.

Section 3.06. 2012 Senior Lien Project and Refunding Bonds Cost of Issuance Account. There is established in the Water Fund a 2012 Senior Lien Project and Refunding Bonds Cost of Issuance Account. From amounts received upon the sale of the 2012 Senior Lien Project and Refunding Bonds of a series, the City shall deposit in the 2012 Senior Lien Project and Refunding Bonds Cost of Issuance Account an amount sufficient to pay the Senior Lien Bond Costs of Issuance of such 2012 Senior Lien Project and Refunding

Bonds and shall use the amounts in that Account and interest on or investment earnings of that Account to pay those costs. Any amounts in the 2012 Senior Lien Project and Refunding Bonds Cost of Issuance Account not needed for paying Senior Lien Bond Costs of Issuance of the 2012 Senior Lien Project and Refunding Bonds of a series shall be transferred to the Construction Account: 2012 Senior Lien Project and Refunding Bonds, or if no 2012 Senior Lien Project and Refunding Bonds are issued to pay Project Costs, to the Water Rate Stabilization Account for use in accordance with Section 5.09. Amounts in the 2012 Senior Lien Project and Refunding Bonds Cost of issuance<sup>1</sup> Account shall be invested in Permitted Investments. Interest on and investment earnings of that Account shall be deposited in such Account and used as provided in this Section.

## ARTICLE IV

### WATER FUND AND ACCOUNTS

Section 4.01. Revenue Obligation. The 2012 Senior Lien Project and Refunding Bonds shall have a claim for payment, together with any Outstanding Senior Lien Bonds, solely from the Net Revenues Available for Bonds, the Construction Account: 2012 Senior Lien Project and Refunding Bonds, the 2012 Senior Lien Project and Refunding Bonds Costs of Issuance Account and the Accounts of the Water Fund established, as provided, in Section 4.03 of this Part B, (except, as provided in the immediately succeeding sentence), but with a claim with respect to the Senior Lien Debt Service Reserve Account only to the 2012 Senior Lien Project and Refunding Bonds Subaccount of that Account. The Senior Lien Bonds, including 2012 Senior Lien Project and Refunding Bonds, shall have no claim for payment from amounts on deposit in the Second Lien Bonds Account or from Second Lien Bond Revenues, or from amounts on deposit in the Subordinate Lien Obligations Account or from Subordinate Lien Obligation Revenues. The 2012 Senior Lien Project and Refunding Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness. The claim for payment of the Senior Lien Bonds from accounts of the Water Fund and from Net Revenues Available for Bonds shall be senior to the claim of bonds issued on a subordinate basis to the Senior Lien Bonds, including Second Lien Bonds and Subordinate Lien Obligations.

Section 4.02. Water Fund. There has been created and there exists a separate fund of the City designated the Water Fund into which the Gross Revenues of the Water System are and shall be deposited as collected. The Water Fund shall continue as a separate fund of the City. The Water Fund shall constitute a trust fund and has been and is irrevocably pledged to the owners of the Senior Lien Bonds, Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), CP Notes (but solely with respect to amounts on deposit in the Commercial Paper Account) and Water System

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Line of Credit Notes (but solely with respect to amounts on deposit in the Line of Credit Notes Account) from time to time Outstanding for the sole purpose of carrying out the covenants, terms and conditions of the ordinances authorizing the Senior Lien Bonds, Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), CP Notes (but solely with respect to amounts on deposit in the Commercial-Paper Account) and Water System Line of Credit Notes (but solely with respect to amounts on deposit in the Line of Credit Notes Account).

The Water Fund shall be used only as provided in this Part B and in the ordinances authorizing Bonds for (a) paying Operation and Maintenance Costs, (b) paying the principal of, redemption premium, if any, and interest on Senior Lien Bonds (or purchasing Senior Lien Bonds), and (c) establishing and maintaining (for the purposes specified in those ordinances) the Senior Lien Bonds Construction Accounts

and the Accounts in the Water Fund described in Section 4.03 of this Part B and all other reserve funds or accounts which are required to be established and maintained in the ordinances authorizing the issuance of Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, CP Notes and Water System Line of Credit Notes; provided that any funds available after these requirements have been satisfied or which are not necessary to satisfy these requirements may be Used for any lawful purpose of the Water System:

A lien on and security interest in the Net Revenues Available for Bonds and the various Accounts of the Water Fund established as provided in Section 4.03 of this Part B (other than the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes Account) and in the Construction Account: 2012 Senior Lien Project and Refunding Bonds are granted to the Registered Owners of the Senior Lien Bonds Outstanding from time to time, subject to amounts in the various Accounts being deposited, credited and. expended as provided in this Ordinance, and with amounts in various Subaccounts of the Senior Lien Debt Service Reserve Account securing only the series or set of series of Senior Lien Bonds to which such Subaccounts relate. No lien or security interest in the Construction Account: 2012 Senior Lien Project and Refunding Bonds is granted to any Registered Owner of any Second Lien Bond or Subordinate Lien Obligation or CP Note or Water System Line of Credit Note. Amounts in the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Debt Service Reserve Account shall secure only the 2012 Senior Lien Project and Refunding Bonds; provided: however, that amounts in the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Debt Service Reserve Account may, if so" provided by the Chief Financial Officer in the Senior Lien Bond Determination Certificate, secure the 2012 Senior Lien Project and Refunding Bonds and additional Senior Lien Parity Bonds on a parity basis with Subaccounts in the Senior Lien Debt Service Reserve Account with respect to those Senior Lien Parity Bonds. This pledge and grant of a lien and security interest are effective immediately upon the issuance of the 2012 Senior Lien Project and Refunding Bonds without the requirement of any further act or filing and are superior to the claims of any other person whether or not they have notice of this pledge or grant. Nothing in this Ordinance shall prevent the City from commingling money in the Water Fund (except the Accounts to which reference is made in paragraphs (a) through (g) of Section 4.03 of this Part B and the Construction Account: "2012-Senior-Lien Project and Refunding Bonds) with other money, funds and accounts of the City. Any advance by the City to the Water Fund from other funds of the City shall have a claim for reimbursement only from amounts in the Water Fund not required for deposit in the various Accounts specified in paragraphs (a) through (g) of Section 4.03 of this Part B.

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Section 4.03. Application of Net Revenues Available for Bonds. There have been created and there exist and shall be maintained in the Water Fund, the following separate accounts: the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account and its various Subaccounts, the Water Rate Stabilization Account and the Senior Lien Rebate Accounts. There have also been created and shall be maintained in the Water Fund, (i) the Second Lien Bonds Account and its various Subaccounts for each series of Second Lien Bonds, (ii) the Subordinate Lien Obligations Account and its various Subaccounts for each series of Subordinate Lien Obligations, (iii) the Commercial Paper Account and its various Subaccounts and (iv) the Line of Credit Notes Account and its various Subaccounts. The Net Revenues Available for Bonds shall be transferred, without any further official action or direction, to the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account, the Senior Lien Rebate Accounts, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account, the Line of Credit Notes Account and the Water Rate Stabilization Account in the order in which those accounts are listed below, for use in accordance with the provisions of paragraphs (a), (b), (c), (d), (e), (f), (g) and (h) of this Section 4.03.

a) Senior Lien Principal and Interest Account. Not later than 10 days prior to each principal or interest payment date for the Senior Lien Bonds, there shall be transferred to the Senior Lien Principal and Interest Account sufficient funds (together, with respect to the first interest payment date on 2012 Senior Lien

Project and Refunding Bonds, with accrued interest received upon delivery of the 2012 Senior Lien Project and Refunding Bonds) to pay the amount of the principal; redemption premium, if any, and interest becoming due, whether upon maturity, redemption or otherwise, on such payment date of all Outstanding Senior Lien Bonds.

Funds in the Senior Lien Principal and Interest Account shall be used only for the purpose of paying principal of, redemption premium, if any, and interest on Outstanding Senior Lien Bonds as the same become due.

b) Senior Lien Debt Service Reserve Account.

i) There is established in the Senior Lien Debt Service Reserve Account with respect to the 2012 Senior Lien Project and Refunding Bonds a separate and segregated 2012 Senior Lien Project and Refunding Bonds Subaccount. There may be established by any ordinances authorizing the issuance of any series of Senior Lien Parity Bonds one or more other Subaccounts in the Senior Lien Debt Service Reserve Account with respect to one or more series of senior Lien Parity Bonds.

ii) At the time of the delivery of the 2012 Senior Lien Project and Refunding Bonds of a series, either amounts received upon the sale of such 2012 Senior Lien Project and Refunding Bonds or cash on hand in the Water Fund or a Senior Lien Debt Service Reserve Account Credit Instrument purchased as provided in this Part B shall be deposited to the credit of the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Debt Service Reserve Account, to establish a balance in that Subaccount at least equal to the Senior Lien Debt Service Reserve Requirement with respect to the 2012 Senior Lien Project and Refunding Bonds. Amounts in the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Debt Service Reserve Account shall be deposited in a separate account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. Whenever the balance in the various Subaccounts of the Senior Lien Debt Service Reserve Account is less than the Senior Lien Debt Service Reserve Requirement for the

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various series of Senior Lien Bonds, except as permitted pursuant to Section 6.01(b) of this Part B, there shall be transferred to the Senior Lien Debt Service Reserve Account within the next 12 months sufficient funds to maintain balances in the various Subaccounts of the Senior Lien Debt Service Reserve Account at least equal to the Senior Lien Debt Service Reserve Requirement for the various series of Senior Lien Bonds.

Funds in any Subaccount of the Senior Lien Debt Service Reserve Account and any Senior Lien Debt Service Reserve Account Credit Instruments in that Subaccount shall be used to pay principal of, redemption premium, if any, and interest on the Senior Lien Bonds of the series to which the Subaccount relates (or when series of Senior Lien Bonds are secured on a parity basis by Subaccounts relating to those various series, then funds in each such Subaccount shall be so used on a parity basis to pay principal of, redemption premium, if any, and interest on the Senior Lien Bonds to which those various Subaccounts relate) as the same become due at any time when there are insufficient funds available for such purpose in the Senior Lien Principal and Interest Account (after any available amounts in the Water Rate Stabilization Account have first been applied to that purpose). Any Senior Lien Debt Service Reserve Account Credit Instrument to be acquired by the City with respect to the 2012 Senior Lien Project and Refunding Bonds pursuant to Section 3.03 of this Part B at all times shall secure only the 2012 Senior Lien Project and Refunding Bonds and shall not be used in any manner to satisfy the Senior Lien Debt Service Reserve Requirement for any Senior Lien Parity Bonds nor shall it be used to pay principal of, redemption premium, if any, or interest on any Senior Lien Parity Bonds, except as provided by the Chief Financial Officer in the Senior Lien Bond Determination Certificate as authorized by Section 2.02 of this Part B. Any Senior Lien Debt Service Reserve Account Credit Instrument for the 2012 Senior Lien Project and Refunding Bonds shall not terminate prior to the date of the last maturity of any of the 2012 Senior Lien Project and Refunding Bonds.

(iii) All or any part of the Senior Lien Debt Service Reserve Requirement for any series of Senior Lien Bonds may be met by deposit with the City of one or more Senior Lien Debt Service Reserve Account Credit Instruments. A Senior Lien Debt Service Reserve Account Credit Instrument shall, for purposes of determining the value of the amounts on deposit in the Senior Lien Debt Service Reserve Account and the Subaccount or Subaccounts to which it relates, be valued at the Senior Lien Debt Service Reserve Account Credit Instrument Coverage for such Senior Lien Debt Service Reserve Account Credit Instrument except as provided in the next sentence. If a Senior Lien Debt Service Reserve Account Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Senior Lien Bond of the series of Senior Lien Bonds to which it relates, then the Senior Lien Debt Service Reserve Account Credit Instrument Coverage of that Senior Lien Debt Service Reserve Account Credit Instrument shall be reduced each year, beginning on the date which is four years prior to the first date on which the Senior Lien Debt Service Reserve Account Credit Instrument is to terminate (or is subject to termination), by 25 percent of the coverage in each of the years remaining prior to such date, provided that if by the terms of the Senior Lien Debt Service Reserve Account Credit Instrument and the terms of the related Senior Lien Bond ordinance, the City has the right and duty to draw upon such Senior Lien Debt Service Reserve Account Credit Instrument prior to its termination for deposit in the related Subaccount of the Senior Lien Debt Service Reserve Account (if and to the extent a substitute Senior Lien Debt Service Reserve Account Credit

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Instrument is not deposited in that related Subaccount) all or part of its Senior Lien Debt Service Reserve Account Credit Instrument Coverage, then the reduction shall be in an amount equal to the difference between (A) the Senior Lien Debt Service Reserve Requirement for that series of Senior Lien Bonds and (B) the sum of the amounts on deposit in the related Subaccount of the Senior Lien Debt Service Reserve Account and the amount which the City may draw under the Senior Lien Debt Service Reserve Account Credit Instrument prior to its termination for deposit in the related Subaccount of the Senior Lien Debt Service Reserve Account. Any amounts in any Subaccount of the Senior Lien Debt Service Reserve Account which are not required to be transferred to the Senior Lien Principal and Interest Account may, from time to time, be used to pay costs of acquiring a Senior Lien Debt Service Reserve Account Credit Instrument for that Subaccount or to make payments due under a Senior Lien Bond Reimbursement Agreement with respect to such Senior Lien Debt Service Reserve Account Credit Instrument, but only if after such payment, the value of the Subaccount of the Senior Lien Debt Service Reserve Account shall not be less than the Senior Lien Debt Service Reserve Requirement for that series of Senior Lien Bonds. The City pledges and grants a lien on and security interest in the amounts on deposit in the Subaccounts of the Senior Lien Debt Service Reserve Account to any Senior Lien Bond Provider with respect to the particular Subaccount corresponding to such Senior Lien Bond Provider's Senior Lien Debt Service Reserve Account Credit Instrument, provided that the pledge, lien and security interest shall be junior to any claim for the benefit of the Registered Owners of Senior Lien Bonds of that series.

After the deposit of a Senior Lien Debt Service Reserve Account Credit Instrument into any Subaccount of the Senior Lien Debt Service Reserve Account and after the City has received notice of the value of the Subaccount of the Senior Lien Debt Service Reserve Account after such deposit, the Chief Financial Officer may then direct the transfer from the Subaccount of the Senior Lien Debt Service Reserve Account to any account of the Water Fund of any amounts in the Subaccount of the Senior Lien Debt Service Reserve Account in excess of the Senior Lien Debt Service Reserve Requirement for that series of Senior Lien Bonds for use in accordance with Section 5.09;

c) Senior Lien Rebate Accounts. There shall be transferred from the Water Fund from Net Revenues Available for Bonds and deposited to the credit of the various Senior Lien Rebate Accounts the amounts as shall be required to be held available for rebate to the United States of America with respect to each series of Bonds as required by Section 5.0B of this Part B. Each such Senior Lien Rebate Account shall

be deposited in a separate bank account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. The amount so to be held available shall be determined from time to time by the City pursuant to the ordinances authorizing the various series of Senior Lien Bonds.

Amounts in such Senior Lien Rebate Accounts shall be used at the direction of the City to make rebate payments to the United States of America and to the extent not needed for such purpose shall be transferred to the Water Fund.

d) Second Lien Bonds Account. There is established in the Second Lien Bonds Account with respect to the 2012 Second Lien Project and Refunding Bonds a separate and segregated 2012 Second Lien Project and Refunding Bonds Subaccount. There may be established by any ordinances or related indentures<sup>1</sup> authorizing the issuance of any series of Second Lien Parity Bonds one or more other Subaccounts in the Second Lien Bonds Account

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with respect to such Second Lien Parity Bonds. There shall be transferred to the Second Lien Bonds Account and to the Subaccounts in the Second Lien Bonds Account such amounts on such dates as are required to be so transferred by the Seventh Supplemental Indenture and each other Supplemental Indenture without priority of one Subaccount over any other Subaccount. The moneys in the various Subaccounts of the Second Lien Bonds Account shall be transferred by the Chief Financial Officer on the date so deposited in such various Subaccounts to the appropriate paying agents or trustees for the related series of Second Lien Bonds for the purpose of paying such amounts as may be required to be paid by the ordinances and related indentures authorizing such Second Lien Bonds.

e) Subordinate Lien Obligations Account. There have been established and there shall exist and be maintained in the Subordinate Lien Obligations Account the following separate and segregated Subaccounts: the Subordinate Lien Principal and Interest Subaccount and the Subordinate Lien Debt Service Reserve Subaccount: There are established (i) in the Subordinate Lien Principal and Interest Subaccount with respect to the 2012 Subordinate Lien Obligations a separate and segregated 2012 Subordinate Lien Sub-subaccount and (ii) in the Subordinate Lien Debt Service Reserve Subaccount a separate and segregated 2004 Subordinate Lien Sub-subaccount. There may be established by any ordinances authorizing the issuance of any series of Subordinate Lien Parity Obligations one or more Sub-subaccounts in the Subordinate Lien Principal and Interest Subaccount and Subordinate Lien Debt Service Reserve Subaccount with respect to such Subordinate Lien Parity Obligations. On the business day immediately preceding each May 1 and November 1, there shall be transferred to the Subordinate Lien Obligations Account, the amount required by any ordinance authorizing the issuance of Subordinate Lien Obligations to be deposited in the Subordinate Lien Obligations Account on such date without priority, one over the other, to any Subaccounts within the Subordinate Lien Obligations Account, the amount to be so deposited specified in a certificate of the Chief Financial Officer. The moneys in the various Subaccounts of the Subordinate Lien Obligations Account and Sub-subaccounts described in this paragraph (e) shall be used to pay such amounts as may be required to be paid by this Ordinance and any ordinance authorizing Subordinate Lien Parity Obligations.

f) Commercial Paper Account. There has been established and there shall exist and be maintained in the Water Fund a separate and segregated Commercial Paper Account. There may be established by any ordinances or related indentures authorizing the issuance of any CP Notes one or more other Subaccounts in the Commercial Paper Account with respect to such CP Notes. There shall be transferred to the Commercial Paper Account and to the Subaccounts in the Commercial Paper Account such amounts on such dates as are required to be so transferred by the indenture pursuant to which the CP Notes are issued. The moneys in the various Subaccounts of the Commercial Paper Account shall be transferred by the Chief Financial Officer on the date so deposited in such various Subaccounts to the appropriate paying agents or trustees for the related CP Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related indentures authorizing such CP Notes.

g) Line of Credit Notes Account. There is by this Ordinance hereby established and there shall exist and be maintained in the Water Fund a separate and segregated Line of Credit Notes Account. There may be established by any ordinances or related Water System Line of Credit Agreements authorizing the issuance of any Water System Line of Credit Notes one or more other Subaccounts in the Line of Credit Notes Account with respect to such Water System Line of Credit Notes. There shall be transferred to the Line of Credit Notes Account and to the Subaccounts in the Line of Credit Notes Account such amounts on such dates as are required

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to be so transferred by the Water System Line of Credit Agreements pursuant to which the Water System Line of Credit Notes are issued. The moneys in the various Subaccounts of the Line of Credit Notes Account shall be transferred by the Chief Financial Officer on the date so deposited in such various Subaccounts to the appropriate owners of or paying agents or trustees for the related Water System Line of Credit Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related Water System Line of Credit Agreements authorizing such Water System Line of Credit Notes.

(h) Water Rate Stabilization Account. The City has caused amounts to be credited to the Water Rate Stabilization Account. In any year the City may withdraw any amounts from the Water Rate Stabilization Account and use those amounts for (i) paying any expenses or obligations of the Water System, including, without limitation, any Operation and Maintenance Costs, (ii) making deposits in the Senior Lien Principal and Interest Account, (iii) making deposits in the various Subaccounts of the Senior Lien Debt Service Reserve Account, (iv) making deposits when due in the Second Lien Bonds Account (but only if and to the extent no amounts are required to be deposited in the Senior Lien Principal and Interest Account and in the Various Subaccounts of the Senior Lien Debt Service Reserve Account as provided in the immediately succeeding sentence), (v) making deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account as provided in the immediately succeeding sentence or in the Second Lien Bonds Account), (vi) making deposits when due in the Commercial Paper Account (but only if and to the extent no amounts are required to be deposited in the Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account, in the Second Lien Bond Accounts or the Subordinate Lien Obligations Account), (vii) making deposits when due in the Line of Credit Notes Account (but only if and to the extent no amounts are required to be deposited in the Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account, in the Second Lien Bond Accounts, in the Subordinate Lien Obligations Account or in the Commercial Paper Account), (viii) any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Water System or (ix) any other cost or expense relating<sup>1</sup> to the Water System or the financing or refinancing of the Water System. The Water Rate Stabilization Account shall be used to make all required deposits in the Senior Lien Principal and Interest Account and the various Subaccounts of the Senior Lien Debt Service Reserve Account when no other funds are available for that purpose. Any Net Revenues remaining in any period not required for transfer to the Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account or the Line of Credit Notes Account may be transferred to the Water Rate Stabilization Account at any time upon the direction of the Chief Financial Officer.

Section 4.04. Deficiencies, Excess. In the event of a deficiency in any Fiscal Year in the Senior Lien Principal and Interest Account, any Subaccount of the Senior Lien Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account or the Line of Credit Notes Account, the amount of such deficiency shall be included in the amount to be transferred from the Water Fund and deposited into such Account or Subaccount during the next 12-month period or succeeding Fiscal Year, as required by this Part B.



Whenever the balance in any Subaccount of the Senior Lien Debt Service Reserve Account exceeds the amount required to be on deposit in that Account or Subaccount, such

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excess may be transferred to the Senior Lien Principal and Interest Account, and whenever the balance in any Subaccount of any Senior Lien Rebate Account exceeds the amount required to be on deposit in that Account or Subaccount, such excess may be transferred to the Water Fund, provided in each case that no such transfers shall be made when any debt service payments on outstanding obligations of the City that are payable by their terms from the revenues of the Water System are past due. Any funds which remain in the Water Fund at the end of any Fiscal Year shall be retained in the Water Fund and shall be available for appropriation for any proper purpose of the Water System.

Section 4.05. Investments. Funds in the Accounts established as provided in Section 4.03 of this Part B shall be invested in Permitted Investments. All amounts in the various Subaccounts of the Senior Lien Debt Service Reserve Account and each Senior Lien Rebate Account shall be invested in Permitted Investments which are held separate and distinct from those of any other Funds or Account. Investments shall be scheduled to mature before needed for the respective purposes of each of such Accounts. All Investment Earnings on any such Accounts so invested as provided in this Section 4.05 shall be credited to the Water Fund and shall be considered Gross Revenues; provided, however, that earnings on the investment of amounts on deposit in the Senior Lien Rebate Accounts shall not be Investment Earnings, shall not be considered Gross Revenues and shall be retained in the respective Senior Lien Rebate Accounts except to the extent no longer required for rebate purposes.

For purposes of determining whether sufficient cash and investments are on deposit in such Accounts under the terms and requirements of this Ordinance, investments shall be valued at cost or market price, whichever is lower, on or about December 31 in each year.

Section 4.06. Deposit of Federal Subsidies. Any Federal Subsidies to be received by the City as a result of any of the 2012 Senior Lien Project and Refunding Bonds qualifying as Federal Compliant Obligations are hereby authorized (A) as determined by the Chief Financial Officer, (i) to be deposited into the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account, the Water Rate Stabilization Account, the Senior Lien Rebate Account and/or the Construction Account: 2012 Senior Lien Project and Refunding Bonds in such amounts and at such times as directed by the Chief Financial Officer; (ii) to be expended for the purposes for which proceeds of the 2012 Senior Lien Project and Refunding Bonds are hereby authorized to be used; (iii) to pay any of the costs for which such Federal Subsidies may be pledged pursuant to Section 4.07 of this Part B and (iv) to be deposited in such funds as appropriate for miscellaneous revenues of the City; or (B) to be applied as otherwise directed by the City Council. -

Section 4.07. Pledge of Federal Subsidies. The Chief Financial Officer is hereby authorized to pledge, at the time of, or at any time following, the issuance of any 2012 Senior Lien Project and Refunding Bonds, (i) to the owners of such Bonds, (ii) to the issuer or issuers of one or more letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies or surety bonds (including Senior Lien Debt Service Account Credit Instruments) securing one or more series of 2012 Senior Lien Project and Refunding Bonds, including any fees or other amounts payable to the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, whether such obligations are set forth in one or more reimbursement agreements entered into between the City and the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto, or any combination thereof or (iii) to any Interest Rate Agreement Counterparties under any Interest

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Rate Exchange Agreement related to such Bonds, any Federal Subsidies received by the City in 'connection with such 2012 Senior Lien Project and Refunding Bonds.

## ARTICLE V

### GENERAL COVENANTS

The City covenants and agrees with the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds as follows:

Section 5.01. Maintenance and Continued Operation of Water System. The City will maintain the Water System in good repair and working order, will continuously operate it on a Fiscal Year basis, and will punctually perform all duties with respect to the Water System required by the Constitution and laws of the State of Illinois.

The City will continue to operate the Water System as a revenue-producing system so as to produce Gross Revenues sufficient to satisfy the covenants of this Ordinance.

Section 5.02. Water Rates. The City, will establish, maintain and collect at all times fees, charges and rates for the use and service of the Water System sufficient at all times to (a) pay Operation and Maintenance Costs, and (b) produce Net Revenues Available for Bonds sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Bonds Outstanding from time to time and to establish and maintain the Senior Lien Principal and Interest Account and various Subaccounts of the Senior Lien Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, which Net Revenues Available for Bonds shall each Fiscal Year at least equal the greater of (i) 120 percent of the sum required to pay promptly when due the Senior Lien Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding or (ii) the sum of (A) the Senior Lien Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds Outstanding, plus (B) the Annual Second Lien Bonds Requirement (as defined in the Second Lien Bonds Master Indenture) for the Fiscal Year on all Second Lien Bonds Outstanding, plus (C) the Subordinate Lien Debt Service Requirement (as defined in Part D of this Ordinance) for the Fiscal Year on all Subordinate Lien Obligations Outstanding, plus (D) the annual debt service requirement for the Fiscal Year on all CP Notes Outstanding, plus (E) the annual debt service requirement for the Fiscal Year on all Water System Line of Credit Notes Outstanding. These fees, charges and rates shall not be reduced, while any Senior Lien Bonds are Outstanding, below the level necessary to ensure compliance with the covenants of this Section 5.02.

The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the rate covenant set forth above. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with the rate covenant, the City shall have prepared a rate study for the Water System identifying the rate changes necessary to comply with the rate covenant and the Office of Budget and Management of the City and the Chief Financial Officer shall recommend appropriate action to the City Council to comply with this rate covenant.

Section 5.03. Repairs, Replacements, Additions, Betterments. The City from time to time will make all necessary and proper repairs, replacements, additions and betterments to the Water System so that the Water System may at all times be operated efficiently, economically and properly. When any necessary equipment or facility shall have

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been worn out, destroyed or otherwise is insufficient for proper use, it shall be promptly replaced so that the value and efficiency of the Water System shall be at all times fully maintained.

Section 5.04. Control and Operation of Water System. The City will establish such rules and regulations for the control and operation of the Water System as are necessary for the safe, lawful, efficient and economical operation of the Water System.

Section 5.05. Books and Records. The City will make and keep proper books, records and . accounts (separate and apart from all other books, records and accounts of the City) in which correct and complete entries shall be made of all transactions relating to the Water System. Within 180 days following the close of each Fiscal Year, the City will cause the financial statements of the Water System to be audited by independent certified public accountants. Such audited financial statements will be available for inspection by the Registered Owners of any of the Senior Lien Bonds. The financial statements shall, without limitation, include the following:

- (a) a statement of revenue and expenses of the Water System for each Fiscal Year;
- (b) a balance sheet as of the end of such Fiscal Year, including the amounts in each of the accounts of the Water Fund;
- (c) a statement of cash flow of the Water System for such Fiscal Year; and
- (d) the amounts, maturities, interest rates and redemption provisions of all Outstanding Bonds.

All expenses of the audit required by this provision shall be regarded and paid as an Operation and Maintenance Cost.

The accountants who audit such financial statements shall also prepare a separate compliance letter regarding the manner in which the City has complied with the financial covenants of this Ordinance, which compliance letter may be prepared on a different basis than that of the financial statements. A copy of the financial statements shall be provided to any Registered Owner of Senior Lien Bonds upon request.

Section 5.06. Customer Report. The City shall prepare annually a report of the number of customers served by the Water System at the end of the Fiscal Year, the number of metered and nonmetered customers at the end of the Fiscal Year and the quantity of water provided.

Section 5.07. Water System Dispositions or Encumbrances. Except as provided in the immediately succeeding sentence, the City will not sell, lease, loan or mortgage or in any manner dispose of or encumber the Water System (subject to the rights of the City to issue Senior Lien Parity Bonds as provided in this Ordinance, to issue bonds payable from the Net Revenues Available for Bonds on a basis subordinate to the Senior Lien Bonds, including Second Lien Bonds. Subordinate Lien Obligations, CP Notes and Water System Line of Credit Notes, and to dispose of real or personal property which is no longer useful or necessary to the operation of the Water System). At such time as the Series 1993 Bonds and the Series 1995 Bonds are no longer Outstanding (as such term is defined in the respective ordinances authorizing the issuance of such Bonds), the City may, subject to Section 5:09(d). sell, lease, loan, mortgage, dispose of or encumber the Water System, provided that the then-existing

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rating on the Series 1997 Bonds, the Series 2000 Senior Lien Bonds, the 2001 Senior Lien Bonds, the 2012 Senior Lien Project and Refunding Bonds and any Senior Lien Parity Bonds issued after the date of issuance of the 2012 Senior Lien Project and Refunding Bonds then Outstanding shall not be reduced as a result of such sale, lease, loan, mortgage, disposition or encumbrance.

' Section 5.08. No Arbitrage. The City, will not direct or permit any action which (or. fail to take any action the failure of which) would cause any 2012 Senior Lien Project and Refunding Bond to be an "arbitrage bond"

within the meaning of the Internal Revenue Code. The provisions of this Section 5.08 shall not apply to any Bond described in Section 1.09 of Part F of this Ordinance (other than any Federal Compliant Obligations for which the Federal Subsidy is pledged or is due and payable to owners of such Federal Compliant Obligations).

#### **Section 5.09. Special Tax Covenant.**

a) The covenants and agreements of the City set forth in this Section 5.09 shall apply as long as any of the 2012 Senior Lien Project and Refunding Bonds continue to bear interest (whether or not they are Outstanding Senior Lien Bonds within the meaning of this Ordinance) (or for Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, so long as their principal amount continues to appreciate) and shall also apply after the 2012 Senior Lien Project and Refunding Bonds, cease to bear interest (or for Capital Appreciation 2012 Senior Lien Project and Refunding Bonds, their principal amount ceases to appreciate) but only within such subsequent period as shall be required for the City to comply with the covenants of this Section 5.09: At the discretion of the Chief Financial Officer, the Chief Financial Officer may execute an agreement in the name of and on behalf of the City to ensure compliance with the requirements of this Section 5.09.

b) The City (i) will take all actions which are necessary to be taken (and avoid taking any action which it is necessary to avoid being taken) so that interest on the 2012 Senior Lien Project and Refunding Bonds (including appreciation in principal amount for Capital Appreciation 2012 Senior Lien Project and Refunding Bonds) will not be or become subject to federal income taxation under present law and (ii) will take all actions reasonably within its power to take which are necessary to be taken (and avoid taking any actions which are reasonably within its power to avoid taking and which it is necessary to avoid) so that interest on the 2012 Senior Lien Project and Refunding Bonds (including appreciation in principal amount for Capital Appreciation 2012 Senior Lien Project and Refunding Bonds) will not be or become includable in gross income for federal income tax purposes under the federal income tax laws as in effect from time to time. In furtherance and not in limitation of the foregoing, the City will proceed with due diligence to construct the Projects.

c) The City will, without limitation, (i) restrict the yield on investments of amounts received upon the sale of the 2012 Senior Lien Project and Refunding Bonds and other amounts and (ii) timely rebate to the United States of America certain amounts which may be received as interest or other investment earnings on Accounts of the Water Fund, all as shall be necessary to comply with this Section. The City shall also make or cause to be made identifiable investments of amounts allocable to the 2012 Senior Lien Project and Refunding Bonds as shall be necessary or appropriate in order to be able to ascertain the amounts which may be required so to be rebated to the United States of America. The City shall from time to time determine the amounts in Accounts of the Water Fund which shall be subject so to be rebated and those amounts from time to time shall be held by the City in the Senior Lien Rebate Account for the 2012 Senior Lien Project and Refunding Bonds and shall be rebated to the

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United States of America in the amounts and at the times as required. Such amounts so subject from time to time so to be rebated shall not be available for the other purposes for which the Water Fund and its accounts and accounts established by this Part B may be applied, except as provided in Section 4.03(c) of this Part B and, for purposes of computing the balance in the Water Fund and such various Accounts, shall be disregarded. At the time of delivery of the 2012 Senior Lien Project and Refunding Bonds, and from time to time after their delivery, the City shall provide instructions to appropriate officials as to the restrictions to be made on the yield and segregation of investments and as to the calculations and rebate of amounts to the United States of America, as are required in order for the City to comply with this Section 5.09.

d) The City will not take any of the following actions without in each such event obtaining the opinion of nationally recognized bond counsel (which may represent the City from time to time in other

matters) that such action will not contravene any covenant of this Ordinance and will not make compliance with those covenants impossible: (i) defease any Senior Lien Bonds; (ii) sell, lease or otherwise dispose of any material portion of the Water System; (iii) enter into or amend any short-term or long-term contract for the supply of water by the City other than pursuant to general rates charged to the general public; or (iv) enter into or amend any contract or arrangement for persons other than its employees to manage the Water System.

e) The provisions of this Section 5.09 shall not be interpreted to impose upon the City any obligation to, redeem, or to, purchase any 2012 Senior Lien Project and Refunding Bonds other than with proceeds or other amounts available under this Ordinance.

f) Except as may otherwise be determined by the Chief Financial Officer pursuant to the following Paragraph (q) of this Section 5.09, the provisions of this Section 5.09 shall not apply to any Bond described in Section 1.09 of Part F of this Ordinance.

g) If in the best interest of the City, as determined by the Chief Financial Officer at the time of sale of any 2012 Senior Lien Project and Refunding Bonds, the Senior Lien Bond Determination Certificate delivered by the Chief Financial Officer at the time of sale of such Bonds may include covenants of the City that it will take no action with respect to (i) the investment or use of the proceeds of any 2012 Senior Lien Project and Refunding Bonds issued as Federal Compliant Obligations pursuant to this Ordinance, (ii) the earnings on the proceeds of such Bonds or (iii) any other moneys on deposit in any fund or account maintained in respect of such Bonds which would adversely affect the qualification and treatment of such Bonds as Federal Compliant Obligations.

h) The Chief Financial Officer is hereby authorized to execute such certifications, tax returns and agreements as shall be necessary, in the opinion of nationally recognized bond counsel, to (i) evidence the City's compliance with the covenants contained in the preceding Section 5.09(g), (ii) establish and maintain the qualification of 2012 Senior Lien Project and Refunding Bonds as Federal Compliant Obligations, (iii) apply for and obtain any Tax Credits and transfer any such Tax Credits to such owners to the extent the City is the direct recipient of such Tax Credits as a result of any of the 2012 Senior Lien Project and Refunding Bonds being issued as Federal Compliant Obligations and (iv) apply for and obtain any Federal Subsidy pursuant to any applicable Federal Compliant Obligation Authorization that may be available to the City or the owners of the 2012 Senior Lien Project and Refunding Bonds and transfer any Federal Subsidy to such owners if so determined by the Chief Financial Officer to be in the best interest of the City and upon such terms and conditions as determined by the Chief Financial Officer.

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## ARTICLE VI

### ISSUANCE OF ADDITIONAL SENIOR LIEN BONDS

Section 6.01. Senior Lien Parity Bonds. As long as there are any Outstanding 2012 Senior Lien Project and Refunding Bonds, no bonds, notes or other obligations of any kind which are payable from Net Revenues or any Accounts of the Water Fund with a claim senior to that of the Senior Lien Bonds shall be issued. As long as there are any Outstanding 2012 Senior Lien Project and Refunding Bonds, the City may issue Senior Lien Parity Bonds for any lawful purpose of the Water System, including without limitation to pay the cost of repairs, replacements, renewals, improvements, equipment or extensions to the Water System, funding capitalized interest and reserve funds for Senior Lien Bonds or particular series of Senior Lien Bonds, funding working capital for the Water System, refunding Outstanding Senior Lien Bonds or obligations payable from revenues of the Water System on a basis subordinate to the Senior Lien Bonds, including Second Lien Bonds, Subordinate Lien Obligations, CP Notes and Water System Line of Credit Notes; or for paying Senior Lien Bond Costs of issuance, and then only upon compliance with the following conditions:

a) the funds required to be transferred to the Senior Lien Principal and Interest Account, the

Various Subaccounts of the Senior Lien Debt Service Reserve Account and the various Subaccounts of the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes Account shall have been transferred in full up to the date of delivery of such Senior Lien Parity Bonds;

b) the ordinance authorizing the issuance of Senior Lien Parity Bonds shall require either (i) the transfer at the time of the delivery of such Senior Lien Parity Bonds of sufficient proceeds of such Senior Lien Parity Bonds or Net Revenues Available for Bonds, or the deposit of a Senior Lien Debt Service Reserve Account Credit Instrument, or any combination of Senior Lien Bond proceeds, Net Revenues Available for Bonds and Senior Lien Debt Service Reserve Account Credit Instruments, to the various Subaccounts of the Senior Lien Debt Service Reserve Account so that the balance in such Subaccounts is at least equal to the Senior Lien Debt Service Reserve Requirement for each series of Senior Lien Bonds; or (ii) equal monthly transfers to the Subaccount of the Senior Lien Debt Service Reserve Account for such Senior Lien Parity Bonds during a period not exceeding 60 months following the delivery of such Senior Lien Parity Bonds sufficient to cause the balance in such Subaccount to be an amount at least equal to the Senior Lien Debt Service Reserve Requirement for that series of Senior Lien Parity Bonds; and

c) Net Revenues Available for Bonds for the last completed Fiscal Year prior to the issuance of the Senior Lien Parity Bonds (as shown by the audit of an independent certified public accountant), or Net Revenues Available for Bonds for such last completed Fiscal Year, adjusted as described below, shall equal at least 120 percent of the maximum annual Senior Lien Debt Service Requirement for Senior Lien Bonds which will be Outstanding following the issuance of the proposed Senior Lien Parity Bonds, computed on a pro forma basis assuming the issuance of the proposed Senior Lien Parity Bonds, and the application of the proceeds of any Senior Lien Parity Bonds as provided in the ordinance authorizing their issuance, sale and delivery. For purposes of this Section 6.01, Net Revenues Available for Bonds may be adjusted as follows for purposes of this paragraph (c):

- (i) if there shall have been an increase in the rates of the Water System from the rates in effect for such last completed Fiscal Year, which increase is in effect at the

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time of the issuance of any such Senior Lien Parity Bonds, Net Revenues Available for Bonds may be adjusted to reflect the Net Revenues Available for Bonds for such last completed Fiscal Year as they would have been had the existing rates been in effect during all of that last completed Fiscal Year, provided, that in the case of an enactment by the City of a rate schedule under which rates increase from time to time, the rate to be used in applying the test set forth in this clause (i) shall be the lowest rate effective for any period described in such rate schedule; and

(ii) any such adjustment shall be evidenced by the certificate of an independent Consulting Engineer or an independent certified public accountant employed for that purpose, which certificate shall be filed with the City Council prior to the sale of the proposed Senior Lien Parity Bonds.

The addition of the proviso at the end of clause (i) above is solely intended to clarify the application of the adjustment described in said clause (i) and not to make any substantive revisions to the current application thereof.

Notwithstanding the foregoing, from and after, the earlier to occur of (i) the date all Senior Lien Bonds issued prior to the date of issuance of the 2000 Senior Lien Bonds are no longer Outstanding; or (ii) the effective date of amendments to the ordinances authorizing Outstanding Senior Lien Bonds issued prior to the date of issuance of the 2000 Senior Lien Bonds which permit the following, any such adjustment shall be evidenced solely by the certificate of the Chief Financial Officer. For purposes of calculating the adjustment described in this paragraph (c), any rate increase enacted by the City and scheduled to take effect in a future Fiscal Year may be reflected in Net Revenues Available for Bonds for purposes of calculating debt service

coverage for the last completed Fiscal Year.

If during the first six months of a Fiscal Year, an audit of the Water System for the preceding Fiscal Year by an independent certified public accountant is not available, the conditions of paragraph (c) shall be deemed to have been satisfied if both (1) Net Revenues Available for Bonds for the second preceding Fiscal Year (as shown by the audit of an independent certified public accountant), adjusted as described in this paragraph (c), and (2) Net Revenues Available for Bonds for the preceding Fiscal Year (as estimated by the Chief Financial Officer and estimated either by an independent Consulting Engineer or by an independent certified public accountant based on a review the scope of which, as specified by such accountant, may be less complete than an audit), adjusted as described in this paragraph (c), shall equal at least 120 percent of the maximum Senior Lien Debt Service Requirement for any Fiscal Year for Senior Lien Bonds which will be Outstanding following the issuance of the proposed Senior Lien Parity Bonds, computed on a pro forma basis assuming the issuance of the proposed Senior Lien Parity Bonds and the application of the proceeds of any Senior Lien Parity Bonds as provided in the ordinance authorizing their issuance, sale and delivery. Notwithstanding the foregoing, from and after the earlier to occur of (i) the date all Senior Lien Bonds issued prior to the date of issuance of the 2000 Senior Lien Bonds are no longer Outstanding or (ii) the effective date of amendments to the ordinances authorizing Outstanding Senior Lien Bonds issued prior to the date of issuance of the 2000 Senior Lien Bonds which permit the following, Net Revenues Available for Bonds for the preceding Fiscal Year shall be estimated for purposes of clause (2) solely by the Chief Financial Officer, and an estimate by an independent Consulting Engineer or independent certified public accountant shall no longer be required:

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(d) The City may issue Senior Lien Parity Bonds without complying with either of the tests in paragraph (c) of this Section 6.01:

i) to pay, redeem or refund Bonds if in the judgment of the City there will be no money available to make payments of interest or principal of those Bonds (at maturity or on sinking fund installment dates) as such amounts become due; and

ii) to pay, redeem or refund any Bonds if the total Senior Lien Debt Service Requirement on all Senior Lien Bonds Outstanding after the issuance of the Senior Lien Parity Bonds and the payment, redemption or refunding of such Bonds will not be in excess of the total Senior Lien Debt Service Requirement on all Senior Lien Bonds Outstanding prior to the issuance of the Senior Lien Parity Bonds in each Fiscal Year in which there was to be any Senior Lien Debt Service Requirement on those prior Outstanding Senior Lien Bonds.

Section 6.02. Subordinate Obligations. Other obligations, including bonds, may be issued payable from Net Revenues Available for Bonds on a basis subordinate to the Senior Lien Bonds and on a parity with or subordinate to any 2012 Second Lien Project and Refunding Bonds.

## ARTICLE

## VII

## DEFEASANCE

### Section 7.01. Defeasance.

a) If the City shall in accordance with Section 7.01(b) below pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds then Outstanding, the principal, redemption premium, if any, and interest to become due on all or a portion of the 2012 Senior Lien Project and Refunding Bonds, at the times and in the manner stipulated in this Part B and in

the 2012 Senior Lien Project and Refunding Bonds, then the covenants, agreements and other obligations of the City to the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds with respect to which such payment has been made shall be discharged and satisfied. In such event, the Paying Agent shall pay over or deliver to the City all money or securities held by it pursuant to this Ordinance which are no longer required for the payment or redemption of such 2012 Senior Lien Project and Refunding Bonds with respect to which such payment has been made not already then surrendered for such payment or redemption.

b) 2012 Senior Lien Project and Refunding Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agent (through deposit by the City of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such 2012 Senior Lien Project and Refunding Bonds, shall be deemed to have been paid within the meaning of and with the effect expressed in paragraph (a) of this Section 7.01. 2012 Senior Lien Project and Refunding Bonds shall, prior to their maturity or redemption date, be deemed to have been paid within the meaning of and with the effect expressed in paragraph (a) of this Section 7.01 if:

(i) there shall have been deposited with the Paying Agent or a refunding escrow agent selected by the Chief Financial Officer either money in an amount which shall be sufficient, or Defeasance Obligations the principal of and interest on which when

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due will provide money which, without reinvestment, when added to the money, if any, deposited with the Paying Agent or refunding escrow agent at the same time, shall be sufficient to pay the principal of such 2012 Senior Lien Project and Refunding Bonds at maturity, or on sinking fund installment dates for term 2012 Senior Lien Project and Refunding Bonds, or the principal, redemption premium, if any, and interest due and to become due on such 2012 Senior Lien Project and Refunding Bonds on and prior to the redemption date or maturity date (or sinking fund installment dates for term 2012 Senior Lien Project and Refunding Bonds) of the 2012 Senior Lien Project and Refunding Bonds, as the case may be;

ii) in case any such 2012 Senior Lien Project and Refunding Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Bond Registrar irrevocable instructions to give any required notice of redemption as provided in Article II of this Part B. which instructions the Bond Registrar has accepted in writing; and

iii) if applicable, the City shall, receive an opinion of nationally recognized bond counsel to the effect that the defeasance of such 2012 Senior Lien Project and Refunding Bonds shall not cause interest on such 2012 Senior Lien Project and Refunding Bonds to be included in "gross income" of their Registered Owners for federal income tax purposes.

(c) Neither Defeasance Obligations nor money deposited with the Paying Agent or refunding escrow agent selected by the Chief Financial Officer pursuant to this Section 7.01 nor principal of or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal (at maturity or pursuant to mandatory sinking fund redemption), redemption premium, if any, and interest on those 2012 Senior Lien Project and Refunding Bonds, provided that any cash received from such principal or interest payments on such Defeasance Obligations, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in principal amounts sufficient to pay when due the principal, redemption premium, if any, and interest to become due on those 2012 Senior Lien Project and Refunding Bonds on and prior to such redemption date or maturity date of the 2012 Senior Lien Project and Refunding Bonds, as the case may be. Nothing in this Ordinance shall prohibit a defeasance deposit of Defeasance Obligations, as provided in this Part B. from being subject to a subsequent sale of such Defeasance Obligations and reinvestment of all or a portion of the proceeds of that sale in Defeasance Obligations which, together with money to remain so held in trust with the Paying Agent or such refunding escrow agent selected by the Chief Financial Officer, shall be



sufficient to provide for payment of principal, redemption premium, if any, and interest on any defeased 2012 Senior Lien Project and Refunding Bonds as provided in and subject to the conditions set forth in this Part B. Amounts held by the Bond Registrar in excess of the amounts needed so to provide for payment of the defeased 2012 Senior Lien Project and Refunding Bonds may be subject to withdrawal by the City for deposit in the Water Fund. The Mayor or the Chief Financial Officer is authorized to execute and deliver from time to time one or more agreements with counterparties selected by the Chief Financial Officer, with respect to the investment and use of such excess amounts held by the Paying Agent or such refunding escrow agent.

Section 7.02. Unclaimed Money. Anything in this Ordinance to the contrary notwithstanding, any money held by the Paying Agent in trust for the payment and discharge of any of the 2012 Senior Lien Project and Refunding Bonds which remain unclaimed for two years

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after the date when such 2012 Senior Lien Project and Refunding Bonds became due and payable shall, at the written request of the City, be repaid by the Paying Agent to the City, as its absolute property and free from trust, and the Paying Agent shall then be released and discharged with respect to such amounts and the Registered Owners of such 2012 Senior Lien Project and Refunding Bonds shall look only to the City for the payment of such 2012 Senior Lien Project and Refunding Bonds.

## ARTICLE VIII

### AMENDMENT OF PART B OF THIS ORDINANCE

Section 8.01. Amendment of Part B of this Ordinance. Subject to Sections 8.02 and 8.03 of this Part B. the City may amend or modify this Part B from time to time and may modify the rights and obligations of the City and of the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds by adopting, a supplemental ordinance, to this Ordinance. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the City to pay the principal of, redemption premium, if any, or interest on any 2012 Senior Lien Project and Refunding Bond without the express consent of the Registered Owner of such 2012 Senior Lien Project and Refunding Bond, nor permit the creation by the City of any mortgage, pledge, lien or security interest on the Water System, or upon the Net Revenues Available for Bonds or other money pledged or held pursuant to this Ordinance, other than those contemplated by this Ordinance, including Section 8.02 of this Part B. nor permit the preference or priority of any Senior Lien Bond over any other Senior Lien Bond, nor reduce the percentages of 2012 Senior Lien Project and Refunding Bonds required for the written consent to an amendment or modification of this Part B. nor modify any of the rights or obligations of any Paying Agent at the time acting pursuant to this Ordinance without the written consent of such Paying Agent.

Section 8.02. Amendments Without Written Consent. The City may amend or modify this Part B from time to time for any one or more of the following purposes without obtaining the prior written consent of any of the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds:

a) to add additional covenants and agreements of the City for the purpose of further securing the payment of the 2012 Senior Lien Project and Refunding Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the City contained in this Ordinance;

b) to prescribe further limitations and restrictions upon the issuance of Senior Lien Parity Bonds and the incurring of obligations by the City which are not contrary to or inconsistent with the limitations and restrictions on such issuance or incurring of obligations in effect prior to the adoption of such supplemental ordinance;

c) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of this Ordinance;

d) to confirm as further assurance any covenant, lien, pledge or security interest created or recognized by the provisions of this Ordinance;

e) to take any further action necessary or desirable for the collection and application of Net Revenues Available for Bonds sufficient to pay the 2012 Senior Lien Project and

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Refunding Bonds as to principal, at maturity or on mandatory sinking fund installment dates, and to pay interest on the 2012 Senior Lien Project and Refunding Bonds as it falls due; and

(f) to correct any ambiguity or defect or inconsistent provisions in this Part B or to insert such provisions clarifying matters or questions arising under this Part B as are necessary or desirable, provided that any such amendments or modifications are not contrary to or inconsistent with this Ordinance as in effect prior to the adoption of any such supplemental ordinance, and provided further that any such amendments or modifications are not adverse to the interests of the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds.

Section 8.03. Amendments by Majority Consent of Registered Owners; Consent of Registered Owners of 2012 Senior Lien Project and Refunding Bond to Certain Amendments; Right of Bond Insurer or Senior Lien Bond Provider to Vote in Certain Circumstances. The City may amend or modify this Part B from time to time for any purpose other than one or more of the purposes not prohibited in Section 8:01 of this Part B and not authorized by Section 8.02 of this Part B of this Ordinance only pursuant to the consent of Registered Owners of 51 percent in principal amount of all Outstanding 2012 Senior Lien Project and Refunding Bonds by written instrument. For purposes of this Section, 2012 Senior Lien Project and. Refunding Bonds registered in the name of the book^entry depository selected by the Chief Financial Officer, or its nominee, shall be treated as separate bonds with \$5,000 denominations and such book-entry depository, or its nominee, may consent to the amendment or modification with respect to certain of such bonds and not others. The City may grant to the provider of a policy of municipal bond insurance or a Senior Lien Bond Provider the right to consent to amendrients of this Ordinance on behalf of the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds of a series so long as such provider is not in default in observing its obligations under such policy or Senior Lien Bond Debt Service Reserve Account Credit Instrument.

Section 8.04. . Method of Obtaining Written Consent of Registered Owners. The City may at any time adopt a supplemental ordinance amending the provisions Of the 2012 Senior Lien Project arid Refundirig Bonds or of this Part B. to the extent that such an amendment is permitted by the provisions of Section 8.03 of this Part B. to take effect when and as provided in this Section. A copy of such supplemental ordinance, together with a writteri Consent form, shall be mailed by the City to Registered Owners of the 2012 Senior Lien Project and Refunding Bonds, first class postage prepaid, at the address appearing for such owner upon the bond register maintained by the Bond Registrar. Failure to mail copies of such supplemental ordinance arid written consent form as to any Registered Owner shall not affect the validity of the supplemental ordinance when assented to as provided in this Article VIII.

A supplemental ordinance adopted in accordance with this Section shall not be effective unless and until there shall have been filed with the City the written consents of the Registered Owners of percentages in principal amount of Outstanding 2012 Senior Lien Project and Refunding Bonds specified in Section 8.03 of this Part B as provided in this paragraph. Each such consent shall be effective only if accompanied by proof of ownership of the 2012 Senior Lien Project and Refunding Bonds for which such consent is giveri, which proof shall be such as the City may prescribe from time to time. Any such consent shall be binding upon the Registered Owner of the 2012 Senior Lien Project and Refunding Bonds giving such consent and on any

subsequent Registered Owner (whether or not such subsequent Registered Owner has notice of the consent) unless such consent is revoked in writing by the Registered Owner giving such consent or a subsequent Registered Owner by filing a notice of revocation with the City prior to the first date when the notice provided for in the next sentence of this paragraph

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has been given. After the Registered Owners of the required percentages of 2012 Senior Lien Project and Refunding Bonds shall have filed their consents to the supplemental ordinance, the City shall mail a notice to the Registered Owners of the 2012 Senior Lien Project and Refunding Bonds, in the manner provided in the first paragraph of this Section for the mailing of the supplemental ordinance and request for consent, stating in substance that the supplemental ordinance has been consented to by the Registered Owners of the required percentages of 2012 Senior Lien Project and Refunding Bonds and will be effective as provided in this Section. A certificate of the City reciting compliance with the provisions of this Section shall be filed with the Paying Agent and shall be proof of the matters stated until the contrary is proved, and the supplemental ordinance shall be deemed conclusively binding upon the City and the Registered Owners of all 2012 Senior Lien Project and Refunding Bonds at the expiration of 60 days after the filing with the City of . the certificate, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding commenced within such 60-day period.

### **Section 8.05. Endorsement of 2012 Senior Lien Project and Refunding Bonds.**

2012 Senior Lien Project and Refunding Bonds authenticated and delivered after the effective date of any action taken by the Registered Owners of 2012 Senior Lien Project and Refunding Bonds as provided in this Article may bear a notation by endorsement or otherwise in form approved by the City as to such action, and in that case upon demand of the Registered Owner of any 2012 Senior Lien Project and Refunding Bond Outstanding at such effective date and presentation of the- 2012 Senior Lien Project and Refunding Bond for that purpose at the office of the City Clerk or the Deputy City Clerk or at such additional offices as the City may select and designate for that purpose, a suitable notation shall be made on such 2012 Senior Lien Project and Refunding Bond. If the City shall so determine, new 2012 Senior Lien Project and Refunding Bonds so, modified as to conform to such Registered Owner's action shall be prepared, authenticated and delivered, and upon demand of the Registered Owner of any 2012 Senior Lien Project and Refunding Bond then Outstanding shall be exchanged in the City of Chicago, without cost to any Registered Owner, for any Outstanding 2012 Senior Lien Project and Refunding Bonds, upon surrender of such 2012 Senior Lien Project and Refunding Bond.

## PART C

### 2012 SECOND LIEN PROJECT AND REFUNDING BONDS

#### ARTICLE I DEFINITIONS

Section 1.01. Definitions, (a) Except as provided in this Article I. all capitalized terms used and not otherwise defined in this Part C shall have the meanings ascribed to them in the preambles set forth in Part A of this Ordinance or in Article I of Part B or in the Second Lien Bonds Master Indenture or the Seventh Supplemental Indenture (as each such term is defined in Article I of Part B).

(b) As used in this Part C. the following terms shall have the following meanings, unless the context clearly indicates a different meaning:

"Capital Appreciation 2012 Second Lien Project and Refunding Bonds" means any 2012 Second Lien Project and Refunding Bonds which are designated by the Chief Financial

Officer in the related Second Lien Bond Determination Certificate to be capital appreciation bonds, all or a portion of the interest on which shall be payable as appreciation in the principal amount of those 2012 Second Lien Project and Refunding Bonds, when the principal amount of those 2012 Second Lien Project and Refunding Bonds is due.

"Construction Account: 2012 Second Lien Project and Refunding Bonds" means the separate account of that name in the Water Fund established pursuant to Section 3.02 of this PartC.

"Second Lien Bond Determination Certificate" means the certificate of the Chief Financial Officer with respect to the 2012 Second Lien Project and Refunding Bonds of a series filed with the Office of the City Clerk or the Deputy City Clerk, addressed to the City Council as provided in Section 2.04(a) of this PartC.

"Second. Lien Bond Initial Purchasers" means the underwriters or representatives of an underwriting syndicate, or other purchasers to which, or at the direction of which, the City will sell the 2012 Second Lien Project and Refunding Bonds of a series and with which the City will enter into a Second Lien Bond Purchase Agreement, as the Chief Financial Officer shall designate in the related Second Lien Bond Determination Certificate:

/ ; "Second Lien Bond Provider" means a company, banking institution or other financial institution which is the issuer of a Qualified Reserve Account Credit Instrument (as defined in the Second Lien Bonds Master Indenture).

"Second Lien Bond Purchase Agreement" means the Second Lien Bond Purchase Agreement between the City and the Second Lien Bond Initial Purchasers of the 2012 Second Lien Project and Refunding Bonds of a series authorized by Section 2.04(a) of this Part C.

"Second Lien Bonds Construction Accounts" means the various accounts established for construction purposes by the Series 2000. Bond Ordinance, the Series 2004 Second Lien Bond Ordinance, the Series 2006 Second Lien Bond Ordinance, the Series 2008 Second Lien Bond: Ordinance, the Series 2010 Second Lien Bond Ordinance, this Ordinance and any ordinances authorizing Second Lien Parity Bonds.

## ARTICLE II

### DETAILS OF THE 2012 SECOND LIEN PROJECT AND REFUNDING BONDS

Section 2.01. Principal Amount, Designation, Sources of Payment. The City is authorized to borrow money for the purposes specified in. Section 2.02 of this Part C and in evidence of its obligation to repay the borrowing is authorized to issue at one or more times the 2012 Second Lien Project and Refunding Bonds in one or more separate series in an aggregate principal amount of up to \$750,000,000, plus an. additional amount, equal to the amount of original issue discount (not to exceed 10 percent,of .the aggregate principal amount of such series, of Bonds), used in the marketing of the. Series 2012 Project and Refunding Bonds, provided that the maximum aggregate principal amount of 2012 Second Lien Project and Refunding Bonds, 2012 Senior Lien Project and Refunding Bonds and 2012 Subordinate Lien Obligations that may be issued under this Ordinance is limited to \$750,000,000 plus an amount equal to the amount of any original issue discount (not to exceed 10 percent of the aggregate principal amount of such series of Bonds) used in the rmarketirig of such Series 2012 Project and Refunding Bonds. The 2012 Second Lien Project and Refunding Bonds shall be issued

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pursuant to the Second Lien Bonds Master Indenture, the Seventh Supplemental Indenture and one or more additional Supplemental Indentures, if any. The 2012 Second Lien Project and Refunding Bonds shall be

designated "Second Lien Water Revenue Project and Refunding Bonds. Series 2012," provided that if such Bonds shall be issued to pay Project Costs and not to refund any Refunded Bonds or shall be issued to refund Refunded Bonds and not to pay Project Costs or shall be issued as Federal Compliant Obligations, the designation of such Bonds shall be adjusted accordingly and such designation shall be reflected in the related Second Lien Bond Determination Certificate. If the 2012 Second Lien Project and Refunding Bonds are issued in more than one series, each series shall be appropriately designated to indicate the order of its issuance. The 2012 Second Lien Project and Refunding Bonds shall be limited obligations of the City having a claim for payment of principal, redemption premium and interest solely from amounts in the 2012 Second Lien Project and Refunding Bond Subaccount of the Second Lien Bonds Account, the sources pledged under the Second Lien Bonds Master Indenture and the Seventh Supplemental Indenture and from amounts on deposit in the Construction Account: 2012 Second Lien Project and Refunding Bonds, and, together with any Outstanding and Second Lien Parity Bonds, from Second Lien Bond-Revenues. The 2012 Second Lien Project and Refunding Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitation as to indebtedness and shall have no claim to be paid from taxes of the City. Each 2012 Second Lien Project and Refunding Bond shall contain a statement to that effect. A lien on and security interest in Second Lien Bond Revenues is granted to the Registered Owners of the Second Lien Bonds Outstanding from time to time, and a lien on amounts in the Construction Account: 2012 Second Lien Project and Refunding Bonds is granted to the Owners of the 2012 Second Lien Project and Refunding Bonds Outstanding from time to time, subject to amounts in those Accounts being deposited, credited and expended as provided in this Ordinance.

All or any portion of the 2012 Second Lien Project and Refunding Bonds may be issued and sold from time to time pursuant to any applicable Federal Compliant Obligation Authorization as Federal Compliant Obligations. The Chief Financial Officer is hereby authorized to designate in the Second Lien Bond Determination Certificate for any series of 2012 Second Lien Project and Refunding Bonds all or any portion of said Bonds as Federal Compliant Obligations pursuant to the applicable Federal Compliant Obligation Authorization and to make any necessary elections to have all applicable provisions of the applicable Federal Compliant Obligation Authorization apply thereto, to the extent required by such Federal Compliant Obligation Authorization. The Federal Compliant Obligations shall be sold as provided in Section 2.04 of this Part C.

Section 2.02. Purposes. The borrowing and issuance of the 2012 Second Lien Project and Refunding Bonds authorized in Section 2.01 of this Part C shall be for any one or more of the purposes of (a) refunding the Refunded Bonds, (b) paying Project Costs, (c) funding capitalized interest on the 2012 Second Lien Project and Refunding Bonds and (d) paying Costs of Issuance and costs of acquiring a Second Lien Debt Service Reserve Account Credit Instrument for the 2012 Second Lien Project and Refunding Bonds or making a deposit in the Debt Service Reserve Account to the extent established by the Seventh Supplemental Indenture or additional Supplemental Indenture, all as shall be provided in the Seventh Supplemental Indenture or additional Supplemental Indenture. The term "paying Project Costs" shall include the refunding and retirement of the Series 2004 Commercial Paper Program Notes and the making of loans or grants for such purpose to such parties and upon such terms as shall be determined by the Chief Financial Officer to be in the best interests of the City.

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Section 2.03. Approval of Seventh Supplemental Indenture and Additional Supplemental Indentures for the 2012 Second Lien Project and Refunding Bonds, Bond Provisions, (a) The form of Seventh Supplemental Indenture attached to this Ordinance as Exhibit B is approved in all respects. The Chief Financial Officer is authorized, with respect to the initial series of 2012 Second Lien Project and Refunding Bonds, to execute and deliver the Seventh Supplemental Indenture for the 2012 Second Lien Project and Refunding Bonds in substantially the form attached to this Ordinance as Exhibit B for and on behalf of the City, and the City Clerk and the Deputy City Clerk are each authorized to attest the same and to affix to the same the corporate seal of

the City or a facsimile of such corporate seal. The Chief Financial Officer is further authorized with respect to any series of 2012 Second Lien Project and Refunding Bonds issued subsequent to the initial series of 2012 Second Lien Project and Refunding Bonds, to execute and deliver a Supplemental Indenture containing the information set forth in Section 2.03 of the Second Lien Bonds Master Indenture and in substantially the form of the Seventh Supplemental Indenture, and the City Clerk and the Deputy City Clerk are each authorized to attest the same and to affix, to the same the corporate seal of the City or a facsimile of such corporate seal: The Seventh Supplemental Indenture and each Supplemental Indenture executed and delivered pursuant to this Section 2.03 may contain such changes and revisions to reflect the terms of such series of 2012 Second Lien Project and Refunding Bonds (including, Without limitation changes and revisions related to the issuance of such 2012 Second Lien Project and Refunding Bonds as Taxable Bonds and/or Federal Compliant Obligations at fixed or variable rates of interest, or any combination thereof) consistent With the purposes and intent of this Part C and with the covenants set forth in the Second Lien Bonds Master Indenture as shall be approved by the Chief Financial Officer, the execution and delivery of such Seventh Supplemental Indenture and each Supplemental Indenture to constitute conclusive evidence of the City Council's approval of any and all such changes or revisions in such instruments. The Seventh Supplemental Indenture and each Supplemental Indenture shall set forth such covenants With respect to the imposition of Water System rates, the issuance of second Lien Parity Bonds, the application of funds in the Water Fund and the Second Lien Bonds Account and other matters relating to the 2012 Second Lien Project and Refunding Bonds and the security for the 2012 Second Lien Project and Refunding Bonds as shall be deemed necessary by the Chief Financial Officer in connection with the sale of any series of 2012 Second Lien Project and Refunding Bonds, provided that such covenants are not inconsistent with the terms of this Ordinance.

(b) . The 2012 Second Lien Project and Refunding Bonds may be issued bearing interest at (j) a fixed interest rate or rates, including as Capital Appreciation 2012 Second Lien Project and Refunding Bonds, (ii) a variable interest rate or rates, in each case as previously authorized by this City Council for purposes of financing Water System improvements, including, but not limited to, variable interest rates that are reset Weekly by a remarketing agent and variable interest rates commonly referred to as "flexible" or "commercial paper" rates, in which specified 2012 Second Lien Project and Refunding Bonds of a series bear interest at rates that differ from the rates borne by other 2012 Second Lien Project and Refunding Bonds of the series and have different accrual and mandatory tender and purchase provisions, and may be secured as to principal, purchase price and interest by one or more Section 2.08 Obligations or (iii) any combination thereof. Any 2012 Second Lien Project and Refunding Bonds that initially bear interest at a variable rate may thereafter bear such other interest rate or rates as may be established in accordance with the provisions of the Seventh Supplemental Indenture and each other Supplemental Indenture.

(c) The 2012 Second Lien Project and Refunding Bonds shall mature not later than November 1, 2043, and shall bear interest from their date, or from the most recent date to which

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interest has been paid or duly provided for, until the City's obligation with respect to the payment of the principal amount of such 2012 Second Lien Project and Refunding Bonds shall be discharged, payable as provided in the Seventh Supplemental Indenture and each other Supplemental Indenture at a rate or rates not in excess of the lesser of 15 percent per year computed on the basis of a 360-day year consisting of twelve 30-day months or, so long as such 2012 Second Lien Project and Refunding Bonds are secured by a credit facility, the maximum interest rate with respect to such 2012 Second Lien Project and Refunding Bonds used for purposes of calculating the stated amount of such credit facility. Each series of 2012 Second Lien Project and Refunding Bonds may be subject to mandatory and optional redemption and demand purchase or mandatory purchase provisions prior to maturity, upon the terms and conditions set forth in the Seventh Supplemental Indenture and each other Supplemental Indenture.

Each 2012 Second Lien Project and Refunding Bond shall be issued in fully registered form and in the denominations set forth in the Seventh Supplemental Indenture and each other Supplemental Indenture; and shall be dated and numbered-and further designated and identified as provided in the Seventh Supplemental Indenture and each other Supplemental Indenture. The form of 2012 Second Lien Project and Refunding Bonds set forth in the Seventh Supplemental Indenture may contain any appropriate variations, omissions and insertions as are necessary in connection with the issuance of such Bonds as Federal Compliant Obligations.

d) Principal of and premium, if any, on the 2012 Second Lien Project and Refunding Bonds shall be payable as provided in the Seventh Supplemental Indenture and each other Supplemental Indenture.

e) Subject to the limitations set forth in this Section and Section 2.01 of this Part C. authority is delegated to either the Mayor or the Chief Financial Officer to determine the aggregate principal amount of 2012 Second Lien Project and Refunding Bonds to be issued, the date of such 2012 Second Lien Project and Refunding Bonds, the maturities of such 2012 Second Lien Project and Refunding Bonds, any provisions for optional redemption of such 2012 Second Lien Project and Refunding Bonds (which optional redemption shall be at redemption prices not exceeding 103 percent of the principal amount of the 2012 Second Lien Project and Refunding Bonds to be so redeemed), the schedule of sinking fund payments (if any) to be applied to the mandatory redemption of such 2012 Second Lien Project and Refunding Bonds (which mandatory redemption shall be at a redemption price equal to the principal amount of each 2012 Second Lien Project and Refunding Bond to be redeemed, without premium, plus accrued interest), the rate or rates of interest payable on such 2012 Second Lien Project and Refunding Bonds or method or methods for determining such rate or rates and the first interest payment of such 2012 Second Lien Project and Refunding Bonds.

The 103 percent limitations set forth in the preceding paragraph on the redemption price of 2012 Second Lien Project and Refunding Bonds shall not apply where the redemption price is to be based upon a formula designed to compensate the owner of the Bonds to be redeemed based upon prevailing market conditions on the date fixed for redemption, commonly known as a "make-whole" redemption price (the "Make-Whole Redemption Price"). At the time of sale of the 2012 Second Lien Project and Refunding Bonds, the Chief Financial Officer shall determine the provisions of the formula to be used to establish any Make-Whole Redemption Price, which may vary depending on whether such Bonds are issued as Taxable Bonds or on a tax-exempt basis or, in the case of the redemption of Federal Compliant Obligations, on whether such Bonds are being redeemed as a result of an occurrence of an "Extraordinary Event" as determined by the Chief Financial Officer, including, but not limited to, any determination by the

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City that a change has occurred to any applicable section of the Internal Revenue Code or of the applicable Federal Compliant Obligation Authorization, or there is any guidance published by the Internal Revenue Service, the Treasury Department or other applicable department or agency of the United States Government with respect to such sections or any other determination by the Internal Revenue Service, the Treasury Department or other applicable department or agency of the United States Government, pursuant to which the Federal Subsidies with respect to the Federal Compliant Obligations are reduced, eliminated or adversely

adjusted. The Chief Financial Officer shall confirm and transmit the applicable Make-Whole Redemption Price on such dates and to such parties as shall be necessary to effectuate such redemption.

Notwithstanding the foregoing, in the event the 2012 Second Lien Project and Refunding Bonds are issued as Taxable Bonds (including Federal Compliant Obligations), at the time of sale of such Bonds, the Chief Financial Officer is authorized to determine the manner of redeeming such Bonds, either pro rata or by lot, in the event less than all of the 2012 Second Lien Project and Refunding Bonds of a single maturity and the same interest rate are to be redeemed. If the 2012 Second Lien Project and Refunding Bonds are held in book-entry form at the time of redemption, at the time of sale of such Bonds, the Chief Financial Officer is authorized to direct the Bond Registrar to instruct the book-entry depository to select the Specific 2012 Second Lien Project and Refunding Bonds within such maturity and interest rate for redemption- pro-rata among Such Bonds; If so determined by the applicable book-entry depository, the particular 2012 Second Lien Project and Refunding Bonds or portions thereof, to be redeemed may be selected on a pro-rata pass-through distribution of principal basis in accordance with the applicable procedures and operational arrangements of such depository. The City shall have no responsibility or obligation to insure that the book-entry depository properly selects such Bonds for redemption.

#### Section 2.04. Sale of 2012 Second Lien Project and Refunding Bonds.

(a) The Chief Financial Officer is authorized to execute on behalf of the City, with the concurrence of the Chairman of the Committee on Finance of the City Council, a Second Lien Bond Purchase Agreement for the sale by the City to the Second Lien Bond Initial Purchasers of the 2012 Second Lien Project and Refunding Bonds of a series pursuant to a negotiated sale on such terms as the Chief Financial Officer may deem to be in the best interests of the City as provided in this Ordinance. Such terms include, without limitation, (i) the aggregate principal amount of the 2012 Second Lien Project and Refunding Bonds of such series, (ii) the amount of any original issue discount, (iii) the principal amount of the 2012 Second Lien Project and Refunding Bonds of such series maturing in each year, (iv) whether any of the 2012 Second Lien Project and Refunding Bonds are being issued and sold as Taxable Bonds and/or Federal Compliant Obligations, (v) the issuance of the 2012 Second Lien Project and Refunding Bonds of such series as serial bonds, non-callable term bonds, term bonds subject to mandatory sinking fund redemption or any combination of serial bonds, non-callable term bonds, or term bonds subject to mandatory sinking fund redemption, (vi) whether any 2012 Second Lien Project and Refunding Bonds will be issued as Capital Appreciation 2012 Second Lien Project and Refunding Bonds, (vii) whether any Capital Appreciation 2012 Second Lien Project and Refunding Bonds will also bear current interest, (viii) the numbering of the 2012 Second Lien Project and Refunding Bonds, (ix) the interest rate or rates or interest rate determination methods for the 2012 Second Lien Project and Refunding Bonds of such series, (x) the method by which and rate at which the Compound Accreted Value of Capital Appreciation 2012 Second Lien Project and Refunding Bonds shall be established, (xi) whether the Debt Service Reserve Requirement for the 2012 Second Lien Project and Refunding Bonds of such series (if such

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requirement is required to be met upon initial issuance of such 2012 Second Lien Project and Refunding Bonds) will be met by a Qualified Reserve Account Credit Instrument or by cash from proceeds of the 2012 Second Lien Project and Refunding Bonds, (xii) the first interest payment and compounding dates, the purposes for which the 2012 Second Lien Project and Refunding Bonds of such series are being issued pursuant to the authorization granted in Section 2.02 of this Part C. and the prices and other terms upon which the 2012 Second Lien Project and Refunding Bonds are subject to redemption, all as provided in and subject to the authorizations and limitations expressed in this Article II. including the limitations set forth in Section 2.03(c) of this Part C. The purchase price shall not be less than 97 percent of the principal amount of the 2012 Second Lien Project and Refunding Bonds of a series plus accrued interest on the 2012 Second Lien Project and Refunding Bonds of such series from their date to the date of their delivery, plus accrued interest on such 2012 Second Lien Project and Refunding Bonds (other than Capital Appreciation 2012 Second Lien Project and Refunding Bonds) from their date to the date of their delivery, less any original issue



discount (subject to the limitations in Section 2.01 of this Part C). The Second Lien Bond Purchase Agreement shall be in substantially the form previously used for similar financings of the City with appropriate revisions to reflect the terms and provisions of the 2012 Second Lien Project and Refunding Bonds of each series and such other revisions in text as the Chief Financial Officer shall determine are desirable or necessary in connection with the sale of the 2012 Second Lien Project and Refunding Bonds of such series. The Chief Financial Officer shall determine the principal amount of the 2012 Second Lien Project and Refunding Bonds of such series necessary to be issued for the purposes for which they are to be issued within the maximum amount specified in this Ordinance. The Chief Financial Officer may in the related Second Lien Bond Determination Certificate provide for such changes to the terms of the 2012 Second Lien Project and Refunding Bonds of such series, the form of the 2012 Second Lien Project and Refunding Bonds of such series and the various bond covenants from those provided in this Ordinance and the Second Lien Bonds Master Indenture as he or she shall determine but which shall result in the 2012 Second Lien Project and Refunding Bonds of such series having substantially the terms and being in substantially the form provided in this Part C and the Second Lien Bonds Master Indenture and the Seventh Supplemental Indenture. Nothing in this Section 2.04 shall limit or restrict the ability of the City to sell the 2012 Second Lien Project and Refunding Bonds by one or more private placements.

b) The Chief Financial Officer shall in the Second Lien Bond Determination Certificate for each series of 2012 Second Lien Project and Refunding Bonds designate any remarketing agent or credit or liquidity facility provider in respect of such series of 2012 Second Lien Project and Refunding Bonds. The Chief Financial Officer is further authorized to take the action and execute and deliver the documents and instruments specified in this Part C. The 2012 Second Lien Project and Refunding Bonds of such series shall be then duly prepared and executed in the form and manner provided in the Second Lien Bonds Master Indenture and the Seventh Supplemental Indenture or Supplemental Indenture/as appropriate, and delivered to the Second Lien Bond Initial Purchasers or otherwise in accordance with the terms of sale.

c) The Chief Financial Officer is authorized to cause to be prepared and delivered to prospective purchasers of the 2012 Second Lien Project and Refunding Bonds of a series a Preliminary Official Statement or other disclosure document, as shall be approved by the Chief Financial Officer that shall be in substantially the form previously used for similar financings of the City with appropriate revisions to reflect the terms and provisions of the 2012 Second Lien Project and Refunding Bonds of such series and to describe accurately the current condition of the Water System and the parties to the financing. Upon sale of the 2012 Second Lien Project and Refunding Bonds of a series, the Chief Financial Officer is authorized to cause a final

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Official Statement or other disclosure document to be prepared, executed and (i) delivered to the Second Lien Bond Initial Purchasers and (ii) filed with the Office of the City Clerk or the Deputy City Clerk directed to the City Council.

d) The Chief Financial Officer is authorized to enter into a remarketing agreement pertaining to the remarketing of the 2012 Second Lien Project and Refunding Bonds of a series while bearing interest at a variable rate or rates with the remarketing agent designated in the related Second Lien Bond Determination Certificate for such 2012 Second Lien Project and Refunding Bonds. Any remarketing agreement shall be in substantially the form of the remarketing agreements previously entered into by the City in connection with the sale of adjustable rate bonds or notes, but with such revisions in text as the Chief Financial Officer shall determine are necessary or desirable, the execution of such remarketing agreement by the Chief Financial Officer to evidence the City Council's approval of all such revisions. The annual fee paid to any remarketing agent shall not exceed one-quarter of one percent of the average principal amount of the 2012 Second Lien Project and Refunding Bonds described in the related remarketing agreement which are Outstanding during such annual period. Upon the conversion of any 2012 Second Lien Project and Refunding Bonds to bear interest at a fixed rate, the remarketing agent's fee shall not exceed one percent of the principal amount of the 2012 Second Lien Project and Refunding Bonds being remarketed as fixed rate 2012 Second Lien Project and

Refunding Bonds. The final form of remarketing agreement entered into by the City with respect to the 2012 Second Lien Project and Refunding Bonds shall be attached to the Second Lien Bond Determination Certificate.

e) The Chief Financial Officer is also authorized to incur Section 2.08 Obligations (as such term is defined in the Second Lien Bonds Master Indenture) With one or more institutions with respect to the 2012 Second Lien Project and Refunding Bonds of a series while such Bonds bear interest at a variable rate. The Chief Financial Officer is authorized to enter into one or more agreements relating to each Section 2.08 Obligation and to execute and issue to the institution providing such agreement a promissory note in connection with the provision of each Section 2.08 Obligation. Any Section 2.08 Obligation and any agreement relating to such Section 2.08 Obligation shall be in substantially the form of the Section 2.08 Obligations and agreements relating to such Section 2.08 Obligations: previously entered into by the City in connection with the sale of adjustable rate bonds or notes, but with such revisions in text as the Chief Financial Officer shall determine are necessary or desirable, the executor of the same by the Chief Financial Officer to evidence the City Council's approval of all such revisions. The annual fee paid to any institution that provides a Section 2.08 Obligation shall not exceed one and one-half percent of the average principal amount of "such 2012 Second Lien Project and Refunding Bonds Outstanding during such annual period. The final form of agreement relating to such Section 2.08 Obligation entered into by the City With respect to -the 2012 Second Lien Project and Refunding Bonds shall be attached to the Second Lien Bond Determination Certificate. The interest rate payable on any promissory note shall not exceed 15 percent per year and the maturity of such promissory note shall not be greater than the longest maturity of the related series of 2012 Second Lien Project and Refunding Bonds. The obligations of the City under each agreement relating to such Section 2.08 Obligation and under each promissory note do not now and shall never constitute an indebtedness or a loan of credit of the City, or a charge against its general, credit or taxing powers, within the meaning of any constitutional or statutory limitation of the State of Illinois. Such obligations shall be limited obligations of the City payable only from the "amounts in the Subaccount of the 2012 Second Lien Project and Refunding Bonds Revenue Fund created in the Seventh Supplemental Indenture relating to such 2012 Second Lien Project and Refunding Bonds or other Supplemental Indenture. The Chief Financial Officer is authorized to execute and deliver, each such agreement relating to

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such Section 2.08 Obligation under the seal of the City affixed and attached by the City Clerk or the Deputy City Clerk.

f) Upon a finding by the Chief Financial Officer that the purchase of municipal bond insurance for the 2012 Second Lien Project and Refunding Bonds of a series is likely to facilitate the marketing and sale of such 2012 Second Lien Project and Refunding Bonds and permit completion of such sale in a timely fashion, and that such insurance is available at an acceptable premium, the Chief Financial Officer is authorized to cause the City to purchase a Section 2.08 Obligation consisting of a policy of municipal bond insurance for the 2012 Second Lien Project and Refunding Bonds of such series, payable from amounts received upon the sale of such 2012 Second Lien Project and Refunding Bonds or from available funds in the Water Fund. Such policy shall be provided by a bond insurance company or association approved by the Chief Financial Officer. In addition, upon a finding by the Chief Financial Officer that the purchase of a Qualified Reserve Account Credit Instrument is appropriate, and that such Qualified Reserve Account Credit Instrument is available at an acceptable cost, the Chief Financial Officer is authorized to cause the City to obtain a Qualified Reserve Account Credit Instrument to satisfy the Debt Service Reserve Requirement for the 2012' Second Lien Project and Refunding Bonds of a series, the cost of which shall be payable from amounts received upon the sale of such 2012 Second Lien Project and Refunding Bonds or from available funds in the Water Fund, and to execute an agreement relating to such Qualified Reserve Account Credit Instrument and any related agreements with the Second Lien Bond Provider of such Qualified Reserve Account Credit Instrument. The Chief Financial Officer may on behalf of the City make necessary covenants with respect to any policy of municipal bond insurance or Qualified Reserve Account Credit Instrument consistent with this Ordinance, including, without limitation, granting the provider of a policy of municipal bond

insurance or the Second Lien Bond Provider the right to consent to amendments to this Ordinance on behalf of the Registered

- Owners of the 2012 Second Lien Project and Refunding Bonds of a series so long as such provider is not in default and is observing its obligations under such policy or Qualified Reserve Account Credit Instrument.

g) Subsequent to each such sale, the Chief Financial Officer shall file in the Office of the City Clerk or the Deputy City Clerk directed to the City Council (i) a Second Lien Bond Determination Certificate setting forth the terms of sale of the 2012 Second Lien Project and Refunding Bonds of such series consistent with Section 2.04(a) and (f) of this Part C and, if appropriate, the designations described in Section 2.04(b) of this Part C. (ii) an executed copy of the Second Lien Bond Purchase Agreement, reflecting concurrence of the Chairman of the Committee on Finance of the City Council in the determinations made by the Chief Financial Officer as to the terms of sale of such 2012 Second Lien Project and Refunding Bonds, (iii) the Preliminary Official Statement, the final Official Statement and/or other disclosure document of the City as provided in Section 2.04(c) of this Part C. (iv) the Seventh Supplemental Indenture or Supplemental Indenture, as appropriate, (v) an executed copy of the remarketing agreement, if any and (vi) if applicable, an executed copy of the agreement relating to such Section 2.08 Obligation, and promissory note.

If so determined and directed by the Chief Financial Officer in the Second Lien Bond Determination Certificate in connection with the sale of any of the 2012 Second Lien Project and Refunding Bonds, the 2012 Second Lien Project and Refunding Bonds shall be issued in book-entry only form. In connection with the issuance of 2012 Second Lien Project and Refunding Bonds in book-entry only form, the Chief Financial Officer is authorized to execute and deliver to the book-entry depository selected by the Chief Financial Officer such depository's standard form of representation letter.

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(h) If in the best interest of the City, as determined by the Chief Financial Officer at the time of sale of any 2012 Second Lien Project and Refunding Bonds, the Second Lien Bond Determination Certificate delivered by the Chief Financial Officer at the time of sale of such Bonds may include covenants of the City that it will take no action with respect to (i) the investment or use of the proceeds of any 2012 Second Lien Project and Refunding Bonds issued as Federal Compliant Obligations pursuant to this Ordinance, (ii) the earnings on the proceeds of such Bonds or (iii) any other moneys on deposit in any fund or account maintained in respect of such Bonds which would adversely affect the qualification and treatment of such Bonds as Federal Compliant Obligations.

(i) The Chief Financial Officer is hereby authorized to execute such certifications, tax returns and agreements as shall be necessary, in the opinion of nationally recognized bond counsel, to (i) evidence the City's compliance with the covenants contained in the preceding Section 2.04(h). (ii) establish and maintain the qualification of 2012 Second Lien Project and Refunding Bonds as Federal Compliant Obligations; (iii) apply for and obtain any Tax Credits that may be available to the City or the owners of the 2012 Second Lien Project and Refunding Bonds and transfer any such Tax Credits to such owners to the extent the City is the direct recipient of such Tax Credits as a result of any of the 2012 Second Lien Project and Refunding Bonds qualifying as Federal Compliant Obligations pursuant to the applicable Federal Compliant Obligation Authorization and (iv) apply for and obtain any Federal Subsidy pursuant to the applicable Federal Compliant Obligation Authorization that may be available to the City or the owners of the 2012 Second Lien Project and Refunding Bonds and transfer any Federal Subsidy to such owners if so determined by the Chief Financial Officer to be in the best interest of the City and upon such terms and conditions as determined by the Chief Financial Officer.

#### **Section 2.05. Deposit of Federal Subsidies; Pledge of Federal Subsidies.**

(a) Any funds to be received by the City from the Treasury Department as a result of any of the 2012 Second Lien Project and Refunding Bonds qualifying as Federal Compliant Obligations are hereby authorized (A) as determined by the Chief Financial Officer: (i) to be deposited into the Series 2012 Second Lien Water

Revenue Bonds Dedicated Subaccount and/or the Construction Account: 2012 Second Lien Project and Refunding Bonds in such amounts and at such times as directed by the Chief Financial Officer; (ii) to be expended for the purposes for which proceeds of the 2012 Second Lien Project and Refunding Bonds are hereby authorized to be used; (iii) to pay any of the costs for which such Federal Subsidies may be pledged pursuant to paragraph (b) of this Section 2.05 and (iv) to be deposited in such funds as appropriate for miscellaneous revenues of the City; or (B) to be applied as otherwise directed by the City Council.

. (b) The Chief Financial Officer is hereby authorized to pledge, at the time of, or at any time following the issuance of any 2012 Second Lien Project and Refunding Bonds, (i) to owners of such Bonds, (ii) to the issuers of any Section 2.08 Obligations incurred with respect to such Bonds or (iii) to the Swap Providers under any Section 2.09 Obligations incurred with respect to such Bonds, any Federal Subsidies received by the City in connection, with such Bonds.

**Section 2.06. Interest Rate Agreement.** The Mayor or the Chief Financial Officer is hereby authorized to execute and deliver, with respect to all or any portion of Outstanding Senior Lien Bonds or Second Lien Bonds heretofore or hereafter issued (collectively, "Water Revenue Bonds"), from time to time one or more agreements, or options to enter into such agreements, with counterparties selected by the Chief Financial Officer ("Interest Rate

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Agreement Counterparties"), the purpose of which is to provide to the City (i) an interest rate basis, cash flow basis, or other basis different from that provided in the related Water Revenue Bonds for the payment of interest or (ii) with respect to a future delivery of Water Revenue Bonds, one or more of a guaranteed interest rate, interest rate basis, cash flow basis, or purchase price (such agreements or options to enter into such agreements being collectively referred to as "Interest Rate Exchange Agreements"). Interest Rate Exchange Agreements include without limitation agreements or contracts commonly known as interest rate exchange, collar, cap, or derivative agreements, forward payment conversion agreements, interest rate locks, forward bond purchase agreements, bond warrant agreements, or bond purchase option agreements and also include agreements granting to the City or a counterparty an option to enter into any of the foregoing and agreements or contracts providing for payments based on levels of or changes in interest rates, including a change in an interest rate index, to exchange cash flows or a series of payments, or to hedge payment, rate spread, or similar exposure. The stated aggregate notional amount (net of offsetting transactions) under any Interest Rate Exchange Agreements related to certain Water Revenue Bonds shall not exceed the principal amount of such Water Revenue Bonds to which such Interest Rate Exchange Agreements relate: For purposes of the immediately preceding sentence, "offsetting transactions" shall include any transaction which is intended to hedge, modify or otherwise affect another outstanding transaction or its economic results. The offsetting transaction need not be based on the same index or rate or option as the related Water Revenue Bonds or the transaction being offset and need not be with the same counterparty as the transaction being offset. Examples of offsetting-transactions include, without limitation, a floating-to-fixed rate interest rate swap being offset by a fixed-to-floating rate interest rate swap, and a fixed-to-floating rate interest rate swap being offset by a floating-to-fixed rate interest rate swap or an interest rate cap or floor or a floating-to-floating interest rate swap.

Any Interest Rate Exchange Agreement to the extent practicable shall be in substantially the form of either the 2002 ISDA Master Agreement or the Local Currency - Single Jurisdiction version Or the Multicurrency - Cross Border version of the 1992 ISDA Master Agreement (including a Schedule and/or Credit Support Annex to such Schedule, if applicable) published by the International Swaps and Derivatives Association, Inc. ("ISDA") or any successor form to either published by ISDA, and in the appropriate confirmations of transactions governed by the applicable agreement, with such insertions, completions and modifications thereof as shall be approved<sup>1</sup> by the officer Of the City executing the same, his or her execution to constitute conclusive evidence of the City Council's approval of such insertions, completions and modifications thereof. Should the ISDA form not be the appropriate form to accomplish the objectives of the City under this Section 2.05 then such other agreement as may be appropriate is hereby approved, the execution by the Mayor or the Chief Financial Officer being conclusive evidence of the City Council's approval

of such insertions, completions and modifications thereof. Amounts payable by the City under any such Interest Rate Exchange Agreement entered into with respect to 2012 Second Lien Project and Refunding Bonds shall be payable from (a) the 2012 Second Lien Project and Refunding Bonds Subaccount of the Second Lien Bonds Account established pursuant to Section 4.03(d) of Part B of this Ordinance or in the Seventh Supplemental Indenture or any Supplemental Indenture, or (b) as otherwise permitted under the Second Lien Bonds Master Indenture. Amounts payable by the City under any Interest Rate Exchange Agreement entered into with respect to Water Revenue Bonds other than the 2012 Second Lien Project and Refunding Bonds shall be payable from Net Revenues Available for Bonds with a lien status determined by the Chief Financial Officer concurrently with the execution and delivery of such Interest Rate Exchange Agreement, which determination shall be permitted by all applicable ordinances, indentures and other agreements relating to such Water Revenue Bonds and all other Water Revenue Bonds of the City. Such amounts

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shall not constitute an indebtedness of the City for which its full faith and credit is pledged. Any amounts received by the City pursuant to any Interest Rate Exchange Agreement (other than regularly scheduled payment amounts) are hereby authorized to be expended for any purpose for which the proceeds of the related Water Revenue Bonds are authorized to be expended and for the payment or prepayment of any Water Revenue Bonds, all as determined by the Chief Financial Officer. Nothing contained in this Section 2.05 shall limit or restrict the authority of the Mayor or the Chief Financial Officer to enter into similar agreements pursuant to prior or subsequent authorization of the City Council. The Mayor and the Chief Financial Officer are hereby authorized to take all actions necessary to terminate, amend or modify all or a portion of any Interest Rate Exchange Agreement upon a determination that such termination, amendment or modification is in the best financial interest of the City. Any settlement, breakage or termination amount payable as a result of such termination, amendment or modification may be paid from proceeds of sale of Senior Lien Bonds or Second Lien Bonds or from any other lawfully available funds of the City.

Section-2.07. Additional Authorization. The Mayor or the Chief Financial Officer is hereby also authorized to convert the interest rate on any Outstanding Second Lien Bonds from a variable to a fixed interest rate, and in connection therewith to enter into any agreements determined by such officer to be necessary or appropriate.

### ARTICLE III

#### **SECOND ESCROW ACCOUNT; CONSTRUCTION ACCOUNT: 2012 SECOND LIEN PROJECT AND REFUNDING BONDS; OPERATION OF WATER FUND ACCOUNTS WHEN NO SENIOR LIEN BONDS ARE OUTSTANDING**

, Section 3.01. Escrow for Refunded Senior Lien Bonds. The City shall establish an account (the "Second Escrow Account") for the defeasance of Refunded Bonds with a paying agent for the Refunded Senior Lien Bonds as selected by the Chief Financial Officer, as Escrow Trustee or, in the case of the Refunded Second Lien Bonds or Refunded Subordinate Lien Obligations, with the Trustee. From the amounts received upon the sale of the 2012 Second Lien Project and Refunding Bonds or the 2012 Senior Lien Project and Refunding Bonds issued for the purpose of providing for the refunding of the Refunded Second Lien Bonds or the Subordinate Lien Obligations, the City shall make an irrevocable deposit into the Second Escrow Account of an amount sufficient to purchase investment obligations and to deposit cash which shall be sufficient to defease the Refunded Bonds, as provided in the respective ordinances of the City authorizing the Refunded Bonds. The City shall enter into an agreement or, in the case of Refunded Second Lien Bonds or Refunded Subordinate Lien Obligations, an agreement or a Supplemental Indenture (the "Second Escrow Agreement") with the Escrow Trustee or the Trustee, as applicable, in a form as shall be determined by the Chief Financial Officer. The Chief Financial Officer is authorized to execute such Second Escrow Agreement on behalf of the

City. The City shall by entering into a Second Escrow Agreement irrevocably determine to call each Refunded Bond at its earliest optional redemption date or other such date as may be specified therein. The Chief Financial Officer is authorized to enter into an escrow reinvestment agreement providing for the investment by the Escrow Trustee or the Trustee^ as applicable, of cash balances in the Second Escrow Account in Defeasance Obligations and for the City to receive the; investment income under the agreement, either for deposit in the Second Escrow Account or in the Water Fund as determined by the Chief Financial Officer.

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### Section 3.02. Construction Account: 2012 Second Lien Project and Refunding Bonds - Establishment, Deposit of Funds, Uses.

a) The City shall establish a separate account in the Water Fund designated the "Construction Account: 2012 Second Lien Project and Refunding Bonds." The City may establish one or more subaccounts within that account if more than one series of 2012 Second Lien Project and Refunding Bonds is issued, in which event references in this Ordinance to such account shall be deemed, when appropriate, to be references to the appropriate subaccount of such account. No lien on or interest in the Construction Account: 2012 Second Lien Project and Refunding Bonds is granted to the Registered Owners of Senior Lien Bonds or Subordinate Lien Obligations.

b) The proceeds of sale of the 2012 Second Lien Project and Refunding Bonds of a series remaining after the deposits required by the Seventh Supplemental Indenture and any Supplemental Indenture have been made shall be deposited to the credit of the Construction Account: 2012 Second Lien Project and Refunding Bonds. This account shall be deposited in a separate account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. Funds in the Construction Account: 2012 Second Lien Project and Refunding Bonds shall be^ invested by the depository at the direction of the Chief Financial Officer in Permitted Investments, provided that such investments: shall be scheduled to mature before needed to pay: Project Costs, including Costs of Issuance/ All interest received on or profits derived from such Investments shall remain in the Construction Account: 2012 Second Lien Project and Refunding Bonds until disbursed as provided in paragraph (c) below.

(c) , Disbursements shall be made from the Construction Account: 2012 Second Lien Project and Refunding Bonds from time to time for the purpose of paying Project Costs, including Costs of Issuance; "Project Costs" shall also include the costs of refunding and retirement of the Series 2004 Commercial Paper Program Notes; Series 2004 Commercial Paper Program Notes shall be refunded and retired not later than 30 days following the issuance of the series of 2012 Second Lien Project and Refunding Bonds providing for such refunding and retirement. The money received from the sale of the 2012 Second Lien Project and Refunding Bonds and set aside in the Construction Account: 2012 Second Lien Project and Refunding Bonds shall be used to provide funds for all or any part of the Projects. The Projects

for which disbursements may be made from the Construction Account: Series 2012 Second

Lieri Project and Refunding Bonds may be amended by the Chief Financial Officer or the Budget Director of the City to provide for the efficient operation of the Water System.

Within 60 days after completion of the Projects and the payment of all Project Costs, any funds remaining in the Construction Account: 2012 Second Lien Project and Refunding Bonds shall be transmitted by said depository to the City for transfer to any Debt Service Reserve Account, Or, if such accounts are fully funded, to the 2012 Second Lien Project and Refunding Bonds Subaccount, provided that no such transfers shall be made to such Debt Service Reserve Account if (a) the sum of (i) the proceeds of the 2012 Second Lien Project and Refunding Bonds of such series previously deposited in such Debt Service Reserve Account other than from the Construction Account: 2012 Second Lien Project and Refunding Bonds and (ii) the total amount of funds previously transferred and to be transferred from the Construction Account: 2012 Second Lien Project and Refunding Bonds to such Debt Service Reserve Account exceeds (b) 10 percent of the proceeds of the 2012 Second Lien Project and Refunding Bonds.

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Section 3.03. Operation of Water Fund When No Senior Lien Bonds are Outstanding. From and after such time as no Senior Lien Bonds are Outstanding, the following Accounts of the Water Fund shall cease to exist: the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account, the Senior Lien Bonds Construction Accounts and any Accounts established in respect of Senior Lien Parity Bonds in the Water Fund; amounts in such Accounts shall remain part of the Water Fund. The Water Fund, the Water Rate Stabilization Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account, the Line of Credit Notes Account, the Second Lien Bonds Construction Accounts, the Subordinate Lien Obligations Construction Accounts, the Commercial Paper Construction Accounts, the Line of Credit Notes Construction Accounts and any Account or Subaccounts established in the Water Fund in respect of Second Lien Parity Bonds, Subordinate Lien Parity Obligations, CP Notes or Water System Line of Credit Notes by this Ordinance and ordinances authorizing the issuance of Second Lien Parity Bonds, Subordinate Lien Parity Obligations, CP Notes or Water System Line of Credit Notes shall continue to exist notwithstanding the discharge of the Senior Lien Bonds; and deposits shall be made to and withdrawals made from the Water Fund and the Accounts and Subaccounts described in this sentence as if the Accounts and Subaccounts in the Water Fund described in the immediately preceding sentence had never existed. .

## **ARTICLE IV**

### **AMENDMENT OF PART C OF THIS ORDINANCE**

The City may amend or modify this Part C from time to time and may modify the rights and obligations of the City, and the Registered Owners of the Second Lien Bonds in accordance with the Second Lien Bonds Master Indenture.

## **PART D**

### **2012 SUBORDINATE LIEN OBLIGATIONS**

## **ARTICLE I DEFINITIONS**

### Section 1.01. Definitions.

As used in this Part D. the following terms shall have the following meanings, unless the context clearly indicates a different meaning:

"Construction Account: 2012 Subordinate Lien Obligations" means the separate account of that name in the Water Fund established pursuant to Section 3.03 of this Part D.

"IEPA" means the Illinois Environmental Protection Agency, and its successors and assigns, or in the case of Loans made pursuant to the IEPA Program, the authorized lender under such Program.

"IEPA Program" means the Illinois Public Water Supply Program or any successor program administered by the State of Illinois, and any similar program through which funds are

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authorized by the United States Government, including the United States Environmental Protection Agency, and administered by the State of Illinois or any federally authorized agency.

"Loan" means, collectively, the borrowing or borrowings by the City from IEPA under the IEPA Program and evidenced by one or more Loan Agreements.

"Loan Agreement" means each Loan Agreement to be entered into between the City and IEPA setting forth the terms of the Loan.

"Outstanding" means, with reference to any series of Subordinate Lien Obligations, all of such obligations that are outstanding and unpaid, provided that such term shall not include obligations:

(a) which have been paid or redeemed in full both as to principal, redemption premium, if any, and interest, or

(h). which have matured or which, have been, duly called for redemption and for the payment of which money is. on deposit with the designated paying, agents for such Subordinate Lien Obligations, or are otherwise properly available, sufficient to pay the principal of, redemption, premium, if any, and interest on such Subordinate Lien Obligations, or

c) which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Subordinate Lien Obligations, or

d) which are owned by the City.

"Subordinate Lien Debt Service Requirement" means, for any Fiscal Year, the principal of and interest on Subordinate Lien Obligations required to be paid in that Fiscal Year.

"Subordinate Lien Debt Service Reserve Subaccount Credit Instrument" means a non-cancelable insurance policy, a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the City in lieu of or in partial substitution for cash or securities required to be.ori deposit in a Sub-subaccount of the Subordinate/Lien Debt Service Reserve Subaccount. In the case of an insurance policy or surety bond, the company providing the insurance policy or surety bond shall be an insurer which, at the. time of issuance of the insurance policy or surety bond, has been assigned a credit rating which is within one of the two highest ratings, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise,



accorded insurers by at least two Rating Agencies. Letters of credit shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance of the letter of credit, a credit rating on its long-term unsecured debt within one of the two highest rating categories, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, from at least two Rating Agencies. The insurance policy, surety bond or letter of credit shall grant to the City the right to receive payment for the purposes of which the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount may be used or for deposit in that Sub-subaccount and shall be irrevocable during its term; provided that if the definition of Senior Lien Debt Service Reserve Account Instrument shall be amended in accordance with Article VIII of Part B, the requirements for a Subordinate Lien Debt Service

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Reserve Subaccount Credit Instrument shall be deemed to have been amended to reflect comparable changes.

"Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage" means, with respect to any Subordinate Lien Debt Service Reserve Subaccount Credit Instrument on any date of determination, the amount available to pay principal of and interest on the Subordinate Lien Obligations under that Subordinate Lien Debt Service Reserve Subaccount Credit Instrument.

"Subordinate Lien Debt Service Reserve Requirement" means, (i) with respect to the 2000 Subordinate Lien Obligations, the amount, as of any date of computation, specified in the Series 2000 Bond Ordinance, (ii) with respect to the 2001 Subordinate Lien Obligations, the amount as of any date of computation, specified in the Series 2001 Senior Lien Bond Ordinance, (iii) with respect to the 2012 Subordinate Lien Obligations, as of any date of computation, an amount equal to the least of (A) the highest future Subordinate Lien Debt Service Requirement of all 2012 Subordinate Lien Obligations in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of the 2012 Subordinate Lien Obligations; or (C) 125 percent of the average annual Subordinate Lien Debt Service Requirement on the 2012 Subordinate Lien Obligations; and (iv) with respect to any series of Subordinate Lien Parity Obligations, as of any date of computation, such amounts as shall be established by the ordinance authorizing that series of Subordinate Lien Parity Obligations, not to exceed the least of (A) the highest future Subordinate Lien Debt Service Requirement of that series of Subordinate Lien Parity Obligations in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of that series of Subordinate Lien Parity Obligations; or (C) 125 percent of the average annual Subordinate Lien Debt Service Requirement for that series of Subordinate Lien Parity Obligations; provided that if the definition of Senior Lien Debt Service Reserve Requirement shall be amended in accordance with Article VIII of Part B, the Subordinate Lien Debt Service Reserve Requirement shall, with respect to all Subordinate Lien Obligations issued after such amendment becomes effective, be deemed to have been amended to reflect comparable changes, if so provided in a Loan Agreement, the Subordinate Lien Debt Service Reserve Requirement for the Subordinate Lien Obligations of a series may be funded over a period not to exceed 60 months. In which event, as of any date of computation, the amount so funded in accordance with such Loan Agreement, shall be the Subordinate Lien Debt Service Reserve Requirement.

"Subordinate Lien Obligations Construction Accounts" means the various accounts established for construction purposes by the Series 2000 Bond Ordinance, the Series 2001 Senior Lien Bond Ordinance, this Ordinance and any ordinance authorizing Subordinate Lien Parity Obligations.

## ARTICLE II

### DETAILS OF THE 2012 SUBORDINATE LIEN OBLIGATIONS

Section. 2.01. Principal Amount, Source of Payment. The City is authorized to borrow money for the

purposes specified in Section 2.02 of this Part D and in evidence of its obligation to repay the borrowing is authorized to issue the 2012 Subordinate Lien Obligations in one or more separate series in an aggregate principal amount of up to \$750,000,000, provided that the maximum aggregate principal amount of 2012 Subordinate Lien Obligations, 2012

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Senior Lien Project and Refunding Bonds and 2012 Second Lien Project and Refunding Bonds that may be issued under this Ordinance is limited to \$750,000,000 plus an amount equal to the amount of any original issue discount used in the marketing of such Series 2012 Project and Refunding Bonds. The 2012 Subordinate Lien Obligations shall be in the form of the Loan Agreements authorized by Section 2.03 of this Part D. The 2012 Subordinate Lien Obligations shall be limited obligations of the City having a claim for payment of principal, redemption premium and interest solely from amounts in the 2012 Subordinate Lien Sub-account of the Subordinate Lien Principal and Interest Subaccount and the 2012 Subordinate Lien Sub-account of the Subordinate Lien Debt Service Reserve Subaccount, in each case established pursuant to Section 4.03(e) of Part B of this Ordinance, and, together with any Subordinate Lien Parity Obligations, from Subordinate Lien Obligation Revenues and from amounts on deposit in the Construction Account: 2012 Subordinate Lien Obligations. The 2012 Subordinate Lien Obligations shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitation as to indebtedness and shall have no claim to be paid from taxes of the City. Each 2012 Subordinate Lien Obligation shall contain a statement to that effect. A lien on and security interest in Subordinate Lien Obligation Revenues and amounts in the Subordinate Lien Obligations Account and the Construction Account: 2012 Subordinate. Lien Obligations is: granted to the Registered Owners of the Subordinate Lien Obligations Outstanding from time to time, subject to amounts in such Account being deposited, credited and expended as provided in this Ordinance:

All or any portion of the 2012 Subordinate Lien Obligations may be issued and sold from time to time pursuant to the applicable Federal Compliant Obligation Authorization as Federal Compliant Obligations. The Chief Financial Officer is hereby authorized to designate all or any portion of said Obligations as Federal Compliant Obligations pursuant to the applicable Federal Compliant Obligation Authorization and to make any necessary elections to have all applicable provisions of the applicable Federal Compliant Obligation Authorization apply thereto.

'Section 2.02. Purposes. The borrowing and issuance of the 2012-Subordinate Lien Obligations authorized in Section 2.01 of this Part D shall be for any one or more of the purposes of (a) paying Project Costs and costs of acquiring a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument for the 2012 Subordinate Lien Obligations or (b) making a deposit in the 2004 Subordinate Lien Sub-account of the Subordinate Lien Debt Service Reserve Subaccount. The term "paying Project Costs" shall include the making of loans or grants for such purpose to such parties and upon such terms as shall be determined by the Chief Financial Officer to be in the best interests of the City.

Section 2.03. Obligations Provisions, (a) The Chief Financial Officer is authorized to enter into one or more Loan Agreements with the IEPA in the form customarily used for the IEPA Program, and may delegate this authority to the Commissioner of the Department of Water Management. The use of such form is approved in all respects.

(b) Each Loan shall mature within 30 years from the later of (i) the date of Initiation of Repayment (as defined in each Loan Agreement) or (ii) the date the Project financed with the proceeds of such Loan is placed in service and shall bear interest at the rate authorized for the IEPA Program at the time the related Loan Agreement is entered into, provided that no Loan may mature later than November 1, 2043, or bear interest at a rate in excess of 15 percent per year.

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c) Principal of and interest on each Loan shall be payable as provided in the related Loan Agreement, provided that such debt service shall not be payable on dates other than May 1 and November 1.

d) Subject to the limitations set forth in this Section and Section 2.01 of this Part D. authority is delegated to the Commissioner of the Department of Water Management, with the concurrence of either the Mayor or the Chief Financial Officer, to determine the aggregate principal amount of Loans, the maturities of such Loans, the rate or rates of interest payable on such Loans or method or methods for determining such rate or rates and the first interest payment date of such Loans.

e) The Mayor, the Chief Financial Officer and the Commissioner of the Department of Water Management are each authorized to take the actions and execute and deliver the documents and instruments specified in this Part D and such other documents, instruments or certificates as may be required in connection with the Loans, including, without limitation, agreements that the City will indemnify the IEPA and the State of Illinois to the extent required to obtain the Loans.

(0 The Chief Financial Officer is hereby authorized to execute such certifications, tax returns and agreements as shall be necessary, in the opinion of nationally recognized bond counsel, to establish and maintain the qualification of 2012 Subordinate Lien Obligations as Federal Compliant Obligations.

Section 2.04. Deposit of Federal Subsidies. Any Federal Subsidies to be received by the City as a result of any of the 2012 Subordinate Lien Obligations qualifying as Federal Compliant Obligations are hereby authorized (A) as determined by the Chief Financial Officer:

(i) to be deposited into the Subordinate Lien Principal and interest Subaccount; the Subordinate Lien Debt Service Reserve Subaccount and/or the Construction Account: 2012 Subordinate Lien Obligations in such amounts and at such times as directed by the Chief Financial Officer;

(ii) to be expended for the purposes for which proceeds of the 2012 Subordinate Lien Obligations are hereby authorized to be used; (iii) to pay any of the costs for which such Federal Subsidies may be pledged pursuant to Section 2.05 of this Part D and (iv) to be deposited in such funds as appropriate for miscellaneous revenues of the City; or (B) to be applied as otherwise directed by the City Council.

Section 2.05. Pledge of Federal Subsidies. The Chief Financial Officer is hereby authorized to pledge, at the time of, or at any time following the issuance of any 2012 Subordinate Lien Obligations, (i) to the IEPA or other owners of such Obligations, (ii) to the provider of any Subordinate Lien Debt Service Reserve Subaccount Credit Instrument or (iii) to any other provider of credit or liquidity support with respect to any 2012 Subordinate Lien Obligations, any Federal Subsidies received by the City in connection with such Obligations.

### ARTICLE III

#### **DISPOSITION OF 2012 SUBORDINATE LIEN OBLIGATION PROCEEDS; CONSTRUCTION ACCOUNT: 2012 SUBORDINATE LIEN OBLIGATIONS; OPERATION OF WATER FUND ACCOUNTS WHEN NO SENIOR LIEN BONDS OR SECOND LIEN BONDS ARE OUTSTANDING**

Section 3.01. Deposit into the 2012 Subordinate Lien Debt Service Reserve Sub-subaccount. Subject to Section 3.02 and Section 4.02 of this Part D. there shall be

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deposited in the 2012 Subordinate Lien Sub-subaccount. of the Subordinate Debt Service Reserve Subaccount from the proceeds of the 2012 Subordinate Lien Obligations of a series and such other sources as necessary any amount required upon the issuance of such 2012 Subordinate Lien Obligations to cause the balance in the Subordinate Lien Debt Service Reserve Subaccount to equal the Subordinate Lien Debt Service Reserve Requirement or alternatively, if so permitted by the IEPA and applicable law, to pay the costs of any Subordinate Lien Debt Service Reserve Subaccount Credit Instrument.

Section 3.02. Subordinate Lien Debt Service Reserve Subaccount Credit Instrument. The City shall, to the extent that a deposit is not made from a cash deposit either from proceeds of the 2012 Subordinate Lien Obligations of a series or as otherwise provided in Section 3.01 of this Part D. and subject to the limitations in such Section 3.01. upon the issuance of the 2012 Subordinate Lien Obligations of a series, acquire a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument with a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage sufficient to meet the Subordinate Lien Debt Service Reserve Requirement in respect of such 2012 Subordinate Lien Obligations. The Chief Financial Officer is authorized to purchase such an instrument on behalf of the City and may execute a reimbursement agreement on behalf of the City with the provider of such Subordinate Lien Debt Service Reserve Subaccount Credit Instrument. The Chief Financial Officer may on behalf of the City make necessary covenants with respect to such Subordinate Lien Debt Service Reserve Subaccount Credit Instrument consistent with this Ordinance. The City shall apply amounts received upon the Sale of the 2012 Subordinate Lien Obligations of a series, or Other amounts in the Water Fund, to pay costs to the City of acquiring any credit instrument authorized by this Section.

Section 3.03. Construction Account: 2012 Subordinate Lien Obligations - Establishment, Deposit of Funds, Uses.

(a) The City shall establish a separate account in the Water Fund designated the "Construction Account: 2012 Subordinate Lien Obligations." The City may establish one or more subaccounts within that account if more than one series of 2012 Subordinate Lien Obligations<sup>7</sup> is issued. In which event references in this Ordinance to such account shall be deemed, When appropriate, to be references to the appropriate subaccount of such account. No lien on or security interest in the Construction Account: 2012 Subordinate Lien Obligations is granted to the Registered Owners of Senior Lien Bonds or Second; Lien Bonds.

(b) The proceeds of the borrowing evidenced by the 2012 Subordinate Lien Obligations of a series shall be deposited to the credit of the Construction Account: 2012 Subordinate Lien Obligations. This account shall be deposited in a separate account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. Funds in the Construction Account: 2012 Subordinate Lien Obligations shall be invested by the depository at the direction of the Chief Financial Officer in Permitted Investments, provided that such investments shall be scheduled to mature before needed to pay Project Costs. All interest received on or profits derived from such investments shall remain in the Construction Account: 2012 Subordinate Lien Obligations.

(c) Disbursements shall be made from the Construction Account: 2012 Subordinate Lien Obligations from time to time for the purpose of paying Project Costs. The proceeds of the borrowing evidenced by the 2012 Subordinate Lien Obligations and set aside in the Construction Account: 2012 Subordinate Lien Obligations shall be used to provide funds for all or any part of the Projects. The Projects for which disbursements may be made from the

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Construction Account: 2012 Subordinate Lien Obligations may be amended by the Chief Financial Officer or the Budget Director of the City, in consultation with IEPA, to provide for the efficient operation of the Water System.

Within 60 days after completion of the Projects and the payment of all Project Costs, any funds remaining in the Construction Account: 2012 Subordinate Lien Obligations shall be transmitted by said depository to the City for transfer to the Subordinate Lien Debt Service Reserve Subaccount, or, if such account is fully funded, to the Subordinate Lien Principal and Interest Subaccount.

Section 3.04. Operation of Water Fund When No Senior Lien Bonds or Second Lien Bonds are Outstanding. From and after such time as no Senior Lien Bonds or Second Lien Bonds are Outstanding, the following Accounts of the Water Fund shall cease to exist: the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account, the Senior Lien Bonds Construction Accounts, the Second Lien Bonds Construction Accounts and any Accounts established in respect of Senior Lien Parity Bonds and Second Lien Parity Bonds in the Water Fund; amounts in such Accounts shall remain part of the Water Fund. The Water Fund, the Water Rate Stabilization Account, the Subordinate Lien Obligations Account, the Commercial Paper Account, the Subordinate Lien Obligations Construction Accounts and any Account or Subaccounts established in the Water Fund in respect of Subordinate Lien Parity Obligations by this Ordinance and ordinances authorizing the issuance of Subordinate Lien Parity Obligations' or CP Notes shall continue to exist notwithstanding the discharge of the Senior Lien Bonds and the Second Lien Bonds; and deposits shall be made to and withdrawals made from the Water Fund and the Accounts and Subaccounts described in this sentence as if the Accounts and Subaccounts in the Water Fund described in the immediately preceding sentence had never existed.

## ■ ARTICLE IV

### SUBORDINATE LIEN OBLIGATION SUBACCOUNTS

, Section 4.01., Subordinate Lien Principal and Interest Subaccount. Funds in the Subordinate Lien Principal and Interest Subaccount shall be used only for the purpose of, paying the principal of and interest on Outstanding Subordinate Lien Obligations as the same shall become due.

Section 4.02., Subordinate Lien Debt Service Reserve Subaccount, (a) Unless

otherwise provided in the Loan Agreement, at the time of the delivery of the 2012 Subordinate Lien Obligations of a series, either amounts received upon the sale of such 2012 Subordinate Lien Obligations or cash on hand in the Water Fund or a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument purchased as provided in this Part D shall be deposited to the credit of the 2012 Subordinate Lien Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount to establish a balance in that Sub-subaccount at least equal to the Subordinate Lien Debt Service Reserve Requirement with respect to such 2012 Subordinate Lien Obligations: Amounts in the 2012 Subordinate Lien Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount shall be deposited in a separate account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. Whenever the balance in the various Sub-subaccounts of the Subordinate Lien Debt Service Reserve Subaccount is less than the Subordinate Lien Debt Service Reserve Requirement for the various series of Subordinate Lien Obligations, except as permitted pursuant to

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Section 6.01(c) of this Part D. there shall be transferred to the Subordinate Lien Debt Service Reserve Subaccount within the next 12 months (or such longer period permitted by the related Loan Agreement but not exceeding 60 months) sufficient funds to maintain balances in the various Sub-subaccounts of the

Subordinate Lien Debt Service Reserve Subaccount at least equal to the Subordinate Lien Debt Service Reserve Requirement for the various series of Subordinate Lien Obligations.

Funds in any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount and any Subordinate Lien Debt Service Reserve Subaccount Credit Instruments in that Sub-subaccount shall be used to pay principal of, redemption premium, if any, and interest on the Subordinate Lien Obligations of the series to which the Sub-subaccount relates as the same become due at any time when there are insufficient funds available for such purpose in the Subordinate Lien Principal and Interest Subaccount (after any available amounts in the Water. Rate Stabilization Account" have first been applied to that purpose). Any Subordinate Lien Debt Service Reserve Subaccount Credit Instrument for the 2012 Subordinate Lien Obligations shall not terminate prior to the date of the last maturity of any of the 2012 Subordinate Lien Obligations.

(b) All or any part of the Subordinate Lien Debt Service Reserve Requirement for any series of Subordinate Lien Obligations may, subject to the limitations in Section 3.01, be met by deposit with the City of one or more Subordinate Lien Debt Service Reserve Subaccount Credit Instruments. A Subordinate Lien Debt Service Reserve Subaccount Credit Instrument shall, for purposes of determining the value of the amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount and the Sub-subaccount to which it relates, be valued at the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage for the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument except as provided in the next sentence. If a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date - for any Outstanding Subordinate Lien Obligation of the series of Subordinate Lien Obligations to which it relates, then the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage of that Subordinate Lien Debt Service Reserve Subaccount Credit Instrument shall be reduced each year, beginning on the date which is four years prior to the first date on which the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument is to terminate (or is subject to Termination), by 25 percent of the coverage in each of the years remaining prior to such date; provided that if by the terms of the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument and the terms of the related Subordinate Lien Obligation ordinance, the City has the right and duty to draw upon such Subordinate Lien Debt Service Reserve Subaccount Credit Instrument prior to its termination for deposit in the related Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount (if and to the extent a substitute Subordinate Lien Debt Service Reserve Subaccount Credit Instrument is not deposited in that related Sub-subaccount) all or part of its Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage, then the reduction shall be in an amount equal to the difference between (A) the Subordinate Lien Debt Service Reserve Requirement for that series of Subordinate Lien Obligations and (B) the sum of the amounts on deposit in the related Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount and the amount which the City may draw under the Subordinate Lien Debt Service Reserve Credit Instrument prior to its termination for deposit in the related Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount. Any amounts in any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount which are not required to be transferred to the Subordinate Lien Principal and Interest Subaccount may, from time to time, be used to pay costs of acquiring a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument for

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that Sub-subaccount or to make payments due under a reimbursement agreement with respect to that Sub-subaccount, but only if after such payment, the value of the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount shall not be less than the Subordinate Lien Debt Service Reserve Requirement for that series of Subordinate Lien Obligations. The City pledges and grants a lien on and security interest in the amounts on deposit in the Sub-subaccounts of the Subordinate Lien Debt Service Reserve Subaccount to any provider of a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument with respect to the particular Subaccount corresponding to such provider's Subordinate Lien Debt Service Reserve Subaccount Credit Instrument, provided that the pledge, lien and security interest shall be junior to any claim for the benefit of the Registered Owners of Subordinate Lien Obligations of that series.

After the deposit of a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument into any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount and after the City has received notice of the Value of the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount after such deposit, the Chief Financial Officer may then direct the transfer from such Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount to any account of the Water Fund of any amounts in the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount in excess of the Subordinate Lien Debt Service Reserve Requirement for that series of Subordinate Lien Obligations' ■

■' (c): In the event, of a deficiency in any Fiscal Year in the Subordinate Lien Principal and Interest Subaccount, the Subordinate Lien Debt Service Reserve Subaccount or any Sub-subaccount of either such Subaccount, the amount of such deficiency shall be included in the amount to be transferred from the Water Fund and deposited into such account during the next 12-month period or succeeding Fiscal Year. as required by this Part D.

(d) Whenever the balance in any Sub-subaccount of the Subordinate Lien Debt Service : Reserve Subaccount exceeds the amount required to be on deposit in that Sub-subaccount, such excess may be transferred to the Water Fund, provided that no such transfers shall be made when any debt service payments on outstanding obligations of the City that are payable by their terms from the revenues<sup>1</sup> of the Water System are past due. Any funds which remain in the Water Fund at the end of any Fiscal Year shall be retained in the Water Fund and shall be available for appropriation for any proper purpose of the Water System.

## ARTICLE V

### GENERAL COVENANTS

The City covenants and agrees with the Registered Owners of the 2012 Subordinate Lien Obligation terms as follows:

(a) The City will establish, maintain and collect at all times fees, charges and rates for the use and service of the Water System sufficient at all times to (a) pay Operation and Maintenance Costs, and (b.) produce Net Revenues Available, for Bonds sufficient to pay the principal, (at maturity, or pursuant to mandatory sinking fund redemption) of and interest on all Bonds Outstanding from time to time and to establish and maintain, the Senior Lien Principal and Interest Account and various Subaccounts of the Senior Lien Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, which Net Revenues Available for Bonds shall each Fiscal Year at least equal the greater of

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i) 120 percent of the sum required to pay promptly when due the Senior Lien Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding or (ii) the sum of (A) the Senior Lien Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds Outstanding, plus (B) the Annual Second Lien Bonds Requirement (as defined in the Second Lien Bonds Master Indenture) for the Fiscal Year on all Second Lien Bonds Outstanding, plus (C) the Subordinate Lien Debt Service Requirement for the Fiscal Year on all Subordinate Lien Obligations Outstanding, plus (D) the annual debt service requirement for the Fiscal Year on all CP Notes Outstanding, plus (E) the annual debt service requirement for the Fiscal Year on all Water System Line of Credit Notes Outstanding. These fees, charges and rates shall not be reduced, while any Subordinate Lien Obligations are Outstanding, below the level necessary to ensure compliance with the covenants of this Article V.

(b) The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the rate covenant set forth above. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with such rate covenant, the City shall have

prepared a rate study for the Water System identifying the rate changes necessary to comply with the rate covenant and the Office of Budget and Management of the City and the Chief Financial Officer shall recommend appropriate action to the City Council to Comply with this rate covenant.

## ARTICLE VI

### ISSUANCE OF ADDITIONAL SUBORDINATE LIEN OBLIGATIONS

Section 6.01. Subordinate Lien Parity Obligations. As long as there are any Outstanding, 2Q12 Subordinate Lien Obligations, the City may issue Subordinate Lien Parity Obligations for any lawful purpose of the Water System, provided such, purpose is also a lawful purpose of the IEPA Program, and then only upon compliance with the following conditions:

a) the funds required to <http://to>. be <http://be> transferred to the Senior .Lien Principal and. Interest Account, the. various Subaccounts of the Senior Lien Debt Service Reserve Account and the various Subaccounts of the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial,Paper Account and the Line of Credit Notes Account shall have been transferred in full up to the date of delivery of such Subordinate Lien Parity Obligations;

b) the ordinance authorizing the issuance of Subordinate Lieri Parity Bonds shall require either (i) the transfer at the time of the delivery of such Subordinate Lien Parity Obligations of sufficient proceeds of such Subordinate Lien Parity Obligations or Net Revenues Available for Bonds, or the deposit of a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument,-or any combination of Subordinate Lien Obligation proceeds or Net Revenues Available for Bonds and Subordinate Lien Debt Service Reserve Subaccount Credit Instruments, to the various Sub-subaccounts of the Subordinate Lien Debt Service Reserve Subaccount so that the balance in such Sub-subaccounts is at least equal to the Subordinate Lien Debt Service Reserve Requirement for each series of Subordinate Lien Obligations, or  
ii) equal monthly transfers to the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount for such Subordinate Lien Parity Obligations during a period not exceeding 60 months following the delivery of such Subordinate Lien Parity Obligations sufficient to cause the balance in such Sub-subaccount to be an amount at least equal to the Subordinate Lien Debt Service Reserve Requirement for that series of Subordinate Lien Parity Obligations; and

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(c) Net Revenues Available for Bonds for the last completed Fiscal Year prior to the issuance of the Subordinate Lien Parity Obligations (as shown by the .audit of an independent certified public accountant), or Net Revenues Available for Bonds for such last completed Fiscal Year, adjusted as described below, shall equal at least 100 percent of the maximum annual Subordinate Lien Debt Service Requirement for Subordinate Lien Obligations which will be Outstanding following the issuance of the proposed Subordinate Lien Parity Obligations, computed on a pro forma basis assuming the issuance of the proposed Subordinate Lien Parity Obligations, and the application of the proceeds of any Subordinate Lien Parity Obligations as provided in the ordinance authorizing their issuance, sale and delivery. Net Revenues Available for Bonds may be adjusted as follows for purposes of this paragraph (c):

- (i) if there shall have been an increase in the rates of the Water System from  
the rates in effect for such last completed Fiscal Year, which increase is in effect at the  
time of the issuance of any such Subordinate Lien Parity Obligations, Net Revenues  
Available for Bonds may be adjusted to reflect the Net Revenues Available for Bonds for



such last completed Fiscal Year as they would have been had the existing rates been in effect during all of that last completed Fiscal Year, provided, that in the case of an enactment by the City of a rate schedule under which rates increase from time to time, the rate to be used in applying the test set forth in this clause (i) shall be the lowest rate effective for any period described: in such rate schedule; and

(ii) . any such adjustment shall be evidenced by a certificate of the Chief

Financial Officer:

The addition of the proviso at the end of clause (i) above is solely intended to clarify the application of the adjustment described in said clause (i) and not to make any substantive revisions to the current application thereof.

For purposes of calculating the adjustment described in this paragraph (c), any rate increase enacted by the City and scheduled to take effect in a future Fiscal Year may be reflected in Net Revenues Available for Bonds for purposes of calculating debt service coverage for that Fiscal Year. <sup>1</sup>

If during the first six months of a Fiscal Year, an audit of the Water System for the preceding Fiscal Year by an independent certified public accountant is not available, the conditions of paragraph (c) shall be deemed to have been satisfied if both (1) Net Revenues Available for Bonds for the second preceding Fiscal Year (as shown by the audit of an independent certified public accountant), adjusted as described in this paragraph (c), and (2) Net Revenues Available for Bonds for the preceding Fiscal Year (as estimated by the Chief Financial Officer), adjusted as described in this paragraph (c), shall equal at least 100 percent of the maximum Subordinate Lien Debt Service Requirement for any Fiscal Year for Subordinate Lien Obligations which will be Outstanding following the issuance of the proposed Subordinate Lien Parity Obligations, computed on a pro forma basis assuming the issuance of the proposed Subordinate Lien Parity Obligations and the application of the proceeds of any Subordinate Lien Parity Obligations as provided in the ordinance authorizing their issuance, sale and delivery.

Section 6.02. Subordinate Obligations. Other obligations, including bonds, may be issued payable from Net Revenues Available for Bonds on a basis subordinate to the Subordinate Lien Obligations.

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## ARTICLE VII

### AMENDMENT OF PART D OF THIS ORDINANCE

The City may amend or modify this Part D from time to time and may modify the rights and obligations of the City and of the Registered Owners of the 2012 Subordinate Lien Obligations by adopting a supplemental ordinance to this Ordinance, provided that no such modification or amendment shall be adopted without the consent of IEPA.

## PART E

### WATER SYSTEM LINE OF CREDIT AGREEMENTS AND NOTES

## ARTICLE I AUTHORIZATION

Section 1.01. Definitions. All capitalized terms used and not otherwise defined in this Part E shall have the meanings ascribed to them in Article I of Part B. . .

### Section 1.02. Authority for Water System Line of Credit Agreements and Notes.

a) The Mayor or the Chief Financial Officer is hereby authorized to execute and deliver from time to time one or more-line of credit agreements (each, a "Water System Line of Credit Agreement") with commercial banks and other financial institutions (collectively, the "Lenders") and in the form customarily used to provide borrowers with a revolving line of credit for the purposes described in Section 1.03 of this Part E and with such terms and provisions as the Chief Financial Officer shall determine to be in the best interest of the City. Such terms and provisions may include (i) assurances on the part of the City as to the rate covenant required and additional bonds test set forth under ordinances and indentures securing revenue bonds of the City issued for purposes of the Water System, which assurances shall not require a more restrictive rate covenant or additional bonds test than existing rate covenants and additional bonds tests under existing ordinances and indentures of the City relating to the City's revenue bonds issued for purposes of the Water System" and (ii) the payment to the Lenders of a termination fee if and to the extent the Water System Line of Credit Agreement is terminated prior to its stated expiration date. The City Clerk is authorized to attest the same and affix thereto the corporate seal of the City or a facsimile thereof, the execution and delivery thereof to constitute; conclusive evidence of this City Council's approval of each such Water System Line of Credit Agreement.

b) To evidence borrowings under each Water System Line of Credit Agreement, the City is authorized to issue from time to time one or more Water System Line of Credit Notes, each to be designated "Water System Line of Credit Note" (collectively, the "Water System Line of Credit Notes"); All obligations incurred by the City under any Water System Line of Credit Agreement shall be evidenced by a Water System Line of Credit Note or Notes as provided in this Section 1.02 of Part E. Subject to the limitations contained in this Ordinance, authority is hereby delegated to the Mayor or the Chief Financial Officer to determine the aggregate principal amount of Water System Line of Credit Notes to be issued, the date or dates thereof, the maturities thereof and the rate or rates of interest payable thereon or the method for determining such rate or rates.

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(c) . Without further authorization of this City Council, the maximum aggregate principal amount of all Series 2004 Commercial Paper Notes and Water System Line of Credit Notes to be issued and outstanding under this Ordinance at any one time shall not exceed the amount of the CP Authorization. No Water System Line of Credit Note shall mature later than November 1, 2030. Each Water System Line of Credit Note shall bear interest from its date at a rate or rates not in excess of 18 percent per annum.

(d) Any Water System Line of Credit Notes authorized herein may be issued and sold from time to time pursuant to the applicable Federal Compliant Obligation Authorization as Federal Compliant Obligations. In connection therewith, the Chief Financial Officer is hereby authorized to (i) designate all or any portion of such Water System Line of Credit Notes as

Federal Compliant Obligations pursuant to the applicable Federal Compliant Obligation Authorization, (ii) to make any necessary elections to have all applicable provisions of the applicable Federal Compliant Obligation Authorization apply thereto and (iii) execute such certifications; tax returns-and agreements as shall be necessary, iri; the opinion of nationally recognized bond counsel, to establish and maintain the qualification of such Water System Line of Credit Notes as Federal Compliant Obligations.

c- (e) The Water System; Line of Credit Notes shall be executed on behalf of the City with the manual or facsimile signature of the Mayor of the City, and shall be attested with the manual or facsimile signature of the City Clerk of the City; and shall have impressed or imprinted thereon the official seal of the City (or a facsimile thereof): In case any officer of the City whose signature or whose facsimile signature shall appear on the Water System Line of Credit Notes shall cease to be such officer before the delivery of such Notes, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until delivery.

(f) To evidence the exercise of the authority delegated to the Mayor or the Chief Financial Officer by this Ordinance, the Mayor or the Chief Financial Officer, as the case may be, is hereby directed<sup>1</sup> to execute and file with the City Clerk in connection with (i) the execution and delivery of each Water System Line of Credit Agreement, a copy of such Agreement and (ii) each issuance of Water System Line of Credit Notes, a certificate setting forth the determinations made pursuant to the authority granted herein, which certificate shall constitute conclusive evidence of the proper exercise by them of such authority. The City Clerk shall direct a copy of such filing to the City Clerk.

(g) • The Mayor or the Chief Financial Officer is hereby authorized to execute and deliver from time to time one or more tax compliance certificates or agreements as determined to be necessary by nationally recognized bond counsel.

Section 1.03. Purposes. Water System Line of Credit Agreements shall provide for the issuance of Water System Line of Credit Notes to provide funds for any One or more of the following purposes:

(a) • the payment, or the reimbursement of the City for the payment, of the cost of all or any portion of the Projects, including the making of grants or loans for such purpose to such parties and upon such terms, as shall be determined by the Authorized Officer to be in the best interests of the City;-

(b) the provision of funds to meet the cash flow needs of the Water System;

## REPORTS OF COMMITTEES

c) the deposit of monies into funds and accounts as are provided for in the ordinance or related Water System Line of Credit Agreement;

d) the payment of costs of issuance incurred in connection with the execution and delivery of each Water System Line of Credit Agreement and each series of Water System Line of Credit Notes.

Section 1.04. Pledge of Gross Revenues. The Water System Line of Credit Notes, together with interest thereon and any other amounts payable with respect thereto, shall be limited obligations of the City secured by and payable from all sums, amounts, funds or moneys which may be withdrawn from the Line of Credit Notes Account created and established within the Water Fund pursuant to the provisions of this Ordinance. The Water System Line of Credit Notes, together with interest thereon and any other amounts payable with respect thereto, shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness and shall have no claim to be paid from taxes of the City. Each Water System Line of Credit Note shall contain a statement to that effect.

Section 1.05. Deposit of Federal Subsidies. Any Federal Subsidies to be received by the City as a result of any of the Water System Line of Credit Notes qualifying as Federal Compliant Obligations are hereby authorized (A) as determined by the Chief Financial Officer, (i) to be deposited into the Line of Credit Notes Account created and established within the Water Fund pursuant to the provisions of this Ordinance in such amounts and at such times as directed by the Chief Financial Officer; (ii) to be expended for the purposes for which proceeds of the Water System Line of Credit Notes are hereby authorized to be used; (iii) to pay any of the costs for which such Federal Subsidies may be pledged pursuant to Section 1.10 of this Part E and (iv) to be deposited in such funds as appropriate for miscellaneous revenues of the City; or (B) to be applied as otherwise directed by the City Council.

Section 1.06; Pledge of Federal Subsidies. The Chief Financial Officer is hereby authorized to pledge, at the time of, or at any time following the issuance of any Water System Line of Credit Notes-, to the Owners of such Notes or to any provider of credit or liquidity support With respect to any Water System Line of Credit Notes, any Federal Subsidies received by the City in connection with such Notes.

## GENERAL

### ARTICLE I

#### GENERAL PROVISIONS

Section 1.01. Authority. This Ordinance is adopted pursuant to the powers of the City as a home rule unit under Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois: The appropriate officers of the City are authorized to take such actions and do such things as shall be necessary or desirable, in the judgment of any such officers, to perform, carry out, give effect to and consummate the transactions contemplated by this Ordinance, including, but not limited to, the exercise following the delivery date of any of the Series 2012 Project and Refunding Bonds of any power or authority delegated to such official of the City under this Ordinance with respect to the Series 2012 Project and Refunding Bonds upon their initial

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issuance, but subject to any limitations on or restrictions of such power or authority as set forth in this Ordinance.

The Mayor, the Chief Financial Officer, the City Comptroller, the Treasurer, the City Clerk and the Deputy City Clerk are each authorized to execute and deliver such other documents and perform such other acts as may be necessary or desirable In connection with the Series 2012 Project and Refunding Bonds and

the transactions authorized pursuant to this Ordinance, including, but not limited to, the exercise following the delivery date of the Series 2012 Project and Refunding Bonds of any power or authority delegated to such official under this Ordinance with respect to the Series 2012 Project and Refunding Bonds upon original issuance, but subject to any limitations on or restrictions of such power or authority as set forth in this Ordinance.

**Section 1.02. Authorized Signatures.** The Mayor, the City Clerk, the Deputy City Clerk and the Chief Financial Officer may each designate another to act as their respective proxies and, as applicable, to affix their respective signatures to the Series 2012 Project and Refunding Bonds whether in temporary or definitive form, and any other instrument, certificate or document required to be signed by the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial Officer pursuant to this Ordinance. In each case, each shall send to the City Council written notice of the person so designated by each such notice stating the name of the person so selected; and identifying the instruments, certificates and documents which such person shall be authorized to sign as proxy for the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial Officer, respectively. A written signature of the Mayor, the City Clerk, the Deputy City Clerk or of the Chief Financial Officer, respectively, executed by the person so designated, underneath, shall be attached to each notice. Each notice, with the signatures attached, shall be recorded in the Journal of the Proceedings of the City Council and filed with the City Clerk or the Deputy City Clerk. When the signature of the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial Officer, as the case may be, is placed on an instrument, certificate or document at the direction of the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial Officer, as the case may be, in the specified manner, the same, in all respects, shall be as directed by the City as if signed by the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial Officer, as the case may be, in person.

**Section 1.03. Conflict To the Extent That Any Ordinance, Resolution, Provision of the Municipal Code, Rule or Order is in Conflict with or is Inconsistent with the Provisions of this Ordinance, Including Without Limitation, Section 2-32-520 of the Municipal Code, the Provisions of this Ordinance shall be Controlling.** No provision of the Municipal Code or violation of any provision of the Municipal Code shall be deemed to impair the validity of this Ordinance or the instruments authorized by this Ordinance, including the Series 2012 Project and Refunding Bonds, the Second Lien Bonds Master Indenture, the Seventh Supplemental Indenture or any Supplemental Indenture, or to make any such document or instrument voidable at the option of the City, or to impair the rights of the owners of the Series 2012 Project and Refunding Bonds to receive payment of the principal of, premium, if any, or interest on the Series 2012 Project and Refunding Bonds or to impair the security for the Series 2012 Project and Refunding Bonds; provided further that the foregoing shall not be deemed to affect the availability of any other remedy or penalty for any violation of any provision of the Municipal Code.

**Section 1.04. 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.

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**Section 1.05. Registered Owner Remedy.** Any Registered Owner of a Series 2012 Project and Refunding Bond may proceed by civil action to compel performance of all duties required by this Ordinance, including the establishment and collection of sufficient fees, charges and rates for services supplied by the Water System and the application of Gross Revenues and the various Accounts of the Water Fund as provided by this Ordinance.

**Section 1.06. Contract.** The provisions of this Ordinance shall constitute a contract between the City and the Registered Owners of the Series 2012 Project and Refunding Bonds, and no changes, additions or alterations of any kind shall be made to that contract except as provided in this Ordinance, and as provided in the Second Lien Bonds Master Indenture, Seventh Supplemental Indenture and each Supplemental

Indenture, so long as the Series 2012 Project and Refunding Bonds are Outstanding.

Section 1.07. Appropriation. The provisions of this Ordinance constitute an appropriation of the amounts received upon the sale of the Series 2012 Project and Refunding Bonds for the purposes specified in Section 2.02 of each of Part B, Part C and Part D of this Ordinance and in Section 1.03 of Part E of this Ordinance and an appropriation of the Net Revenues Available for Bonds for the various Accounts established as provided by Section 4.03 of Part B of this Ordinance and for payment of principal of, redemption premium, if any, and interest on the Series-2012 Project and Refunding Bonds and for other payments required to be made by the City pursuant to the documents, agreements, and instruments authorized herein, as provided in this Ordinance. •

Section 1.08.: Continuing Disclosure Undertaking. The Mayor and the Chief Financial Officer are each authorized to execute and deliver, as to each series of 2012 Senior Lien Project and Refunding Bonds and 2012 Second Lien Project and Refunding Bonds, an undertaking<sup>1</sup> (a) "Continuing Disclosure Undertaking") evidencing the City's agreement to comply with the requirements of Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as from time to time in effect, in a form approved, by the Corporation Counsel of the City. Upon its execution and delivery on behalf of the City; the Continuing Disclosure Undertaking shall be binding upon the City, and the officers, employees and agents of the City are authorized 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. The Chief Financial Officer is further authorized - to make such amendments to the Continuing Disclosure Undertaking in accordance with its terms from time to time following its execution and delivery as said officer shall deem necessary. Notwithstanding any other provision of this Ordinance, the sole remedies for failure<sup>7</sup> by the City to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial Owner of any 2012 Senior Lien Project and Refunding Bond or 2012 Second Lien Project and Refunding Bonds, as appropriate, to seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Continuing Disclosure Undertaking. No failure<sup>1</sup> by the City to comply with the Continuing Disclosure Undertaking shall constitute a default under this Ordinance or under any Bonds:

Section 1.09. Taxable Bonds. If determined by the Chief Financial Officer to be in the City's financial interest, 2012 Senior Lien Project and Refunding Bonds, 2012 Second Lien Project and Refunding<sup>1</sup> Bonds, 2012 Subordinate Lien Obligations and Water System Line-of Credit-Notes may be issued<sup>7</sup> hereunder such that the interest thereon is subject to Federal income taxation ("Taxable Bonds"). Any Federal Compliant Obligations shall, to the extent required by the applicable Federal Compliant Obligation Authorization, be issued as Taxable Bonds/

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##### Section 1.10. Restructuring of Outstanding Water System Revenue

Indebtedness. Any series of Senior Lien Bonds, Second Lien Bonds or Subordinate Lien Obligations (collectively, the "Outstanding Water System Revenue Indebtedness") bearing interest at a variable rate may be restructured in a manner authorized by the Mayor or the Chief Financial Officer, including but not limited to: (a) providing for one or more new interest rate modes for Outstanding Water System Revenue Indebtedness including (1) a mode where the interest rate is based upon an index, such as LIBOR or SIFMA, plus an applicable spread (subject to adjustment as a result of rating agency changes) and (2) a mode where the interest rate is fixed for a specified term, and subject to reset at the end of such term and each additional term during such mode (collectively, the "New Mode"), (b) providing for mechanics of conversion into, conversion out of and extension of the New Mode after the initial period and

providing for tender by owners of the Outstanding Water System Revenue Indebtedness at the end of the New Mode and specified terms within such New Mode and for optional and mandatory redemption of Outstanding Water System Revenue Indebtedness by the City, (c) permitting "direct purchase of Outstanding Water System Revenue indebtedness in such New Mode by purchasers selected by the Chief Financial Officer at par or with a discount or premium, (d) selecting an index calculation agent for the New Mode, and (e) terminating any liquidity or credit enhancement during such New Mode. With respect to any series of Outstanding Water System Revenue Indebtedness for which the City is obligated to obtain approval from another governmental entity before amending, modifying or supplementing the authorizing ordinance or related indenture with respect to such series of Outstanding Water System Revenue Indebtedness, the authority provided pursuant to this section with respect to the restructuring of such series shall be effective without receipt by the City of such required approval. The Mayor or the Chief Financial Officer is hereby authorized to enter into any amendments to or restatements of existing documents or to execute new documents, to consent to actions being taken by others or to obtain the consent of other parties, and to cause to be prepared such remarketing including disclosure documents, as may be required or desired and facilitate the remarketing of the

Outstanding Water System Revenue Indebtedness, and to pay the fees, costs and expenses relating to the same. The Chief Financial Officer executing the same determines what is necessary and desirable for the execution thereof by the Mayor or the Chief Financial Officer to evidence the same. All such amendments shall be subject to the approval of the Mayor or the Chief Financial Officer.

Section 1.11 of the Amendment of Section 1.04 and Section 1.06(a) of Part E of the Series 2004 Second Lien Bond Ordinance.

(a) The final sentence of Section 1.04 of Part E of the Series 2004 Second Lien Bond Ordinance, relating to the authorization and final maturity of the CP Notes, is hereby amended and restated to read as follows: "

"No CP Note issued from and after the effective date of this Ordinance, including CP Notes representing extensions and renewals of outstanding borrowing, shall mature later than November 1, 2030." ■ -

(b) The third sentence of Section 1.06(a) of Part E of the Series 2004 Second Lien Bond Ordinance, relating to the maturity and maximum interest rate of each CP Note, is hereby amended and restated to read as follows: -

"Each CP Note shall mature not later than two hundred seventy (270) days after its date of issuance and each CP Note issued from and after the effective date of this Ordinance shall bear interest from its date at a rate or rates not in excess

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of the lesser of (i) eighteen percent (18%) per annum, computed in the manner set forth in the CP Indenture, or (ii) as long as such CP Note is secured by a credit or liquidity facility (a "CP Credit Facility"), the maximum interest rate provided for under such CP Credit Facility."

(c) To the extent, determined by the Chief Financial Officer to be necessary, the Chief Financial Officer is authorized to execute and deliver (i) a Supplemental Indenture and (ii) an indenture supplementing and amending the Series 2004 Commercial Paper Program Indenture giving effect to the amendments contained in paragraphs (a) and (b) of this Section 1.11 and the City Clerk and the Deputy City Clerk are each authorized to attest the same and to affix to the same the corporate seal of the City or a facsimile of such seal.

Section 1.12. Escrow Restructuring. Nothing in this Ordinance shall restrict or limit the ability of the City to restructure securities held for the payment of Senior Lien Bonds, Second; Lien Bonds, or Subordinate Lien Obligations.

Section 1.13. Book-Entry. In order to provide for the initial issuance of obligations issued pursuant to this Ordinance ("Obligations") in a form that provides for a system of book-entry only transfers of the ownership of one fully registered Obligation for each, maturity in the aggregate principal amount of such maturity may be registered, in the name of Cede & Co., as a nominee of The Depository Trust Company, New York, New York (DTC); or a successor nominee<sup>7</sup> or successor securities depository. In the event that the City determines that the system of book-entry only transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners (as hereinafter defined) of the Obligations or is burdensome to the City, the City may notify DTC, whereupon DTC will notify the DTC Participants (as hereinafter defined) of the availability through DTC of Obligation certificates. In such event the City shall issue and the note registrar shall authenticate/ transfer and exchange Obligation certificates requested by DTC of like principal amount, series and maturity, in authorized denominations; to the identifiable Beneficial Owners, in replacement of such Beneficial Owners' certificates in the Obligations. For the purposes of this paragraph, the term "Beneficial Owners" shall mean (a) those persons for whom DTC was created to hold their securities ("DTC Participant"); and (b) the person for whom the DTC Participant

acquire interests in the Obligation as indicated.

Section 1.14. Headings. Any headings preceding the texts of the several Articles and Sections of this Ordinance shall be solely for convenience or reference and shall not constitute part of this Ordinance nor shall they affect its meaning or construction.

*Section 1.15. Effectiveness. - This Ordinance shall be in full force and effect from*

*and after its adoption.*

- . . .

Exhibits "A" and "B" referred to in this Water Revenue Project and Refunding Bonds, Series 2012 read as follows:

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Exhibit "A". (To Ordinance)



*Form OF Face Of Bond.*

BOND NO.: R-DATE OF BOND: DATE OF MATURITY:

United States Of America State Of Illinois City Of Chicago

Senior Lien Water Revenue Project And Refunding Bond, Series 2012.

PRINCIPAL SUM: \$ INTEREST RATE PER YEAR:

REGISTERED OWNER:

The City of Chicago (the "City"), for value received, promises (a) to pay to the Registered Owner specified above or that person's registered assignee, unless this Bond is earlier redeemed, the Principal Sum of this Bond specified above on the Date of Maturity specified above and (b) to pay to the Registered Owner of this Bond interest on that sum at the Interest Rate Per Year specified above from the Date of Bond specified above to the date of payment or earlier redemption of this Bond, payable semiannually on May 1 and November 1, with the first interest payment date being , . Interest on this Bond shall be computed on the basis of a 360-day year of twelve 30-day months.

Interest on this Bond is payable on each interest payment date by check or draft mailed to the person in whose name this Bond is registered on the bond register kept by (the "Bond Registrar") at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date at such person's address as it appears in the bond register. Principal of and premium, if any, on this Bond are payable only upon presentation and surrender of this Bond for cancellation at the principal corporate trust office of , Chicago, Illinois (the "Paying Agent"). Payments shall be made in lawful money of the United States of America.

For Bonds which are Capital Appreciation Bonds, the following paragraphs would replace the first two paragraphs of the Form of Bonds listed above:

The City of Chicago (the "City"), for value received, promises to pay to the Registered Owner specified above or that person's registered assignee on the Date of Maturity, the Principal Amount Upon Original Issuance specified above plus interest on that amount (and on interest accrued to the various compounding dates as specified below) from the Date of this Bond to the Date of Maturity at the Interest Rate Per Year specified above with interest so compounded semiannually on May 1 and November 1 of each year, with the first compounding date being ' 1, . Interest shall continue to accrue and compound after the Date

\* For Capita] Appreciation 2012 Senior Lien Project and Refunding Bonds, the words "PRINCIPAL SUM" will be replaced by "PRINCIPAL AMOUNT UPON ORIGINAL ISSUANCE."

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of Maturity at the Interest Rate Per Year specified above on any such amounts for which payment is not made or provided for as provided in the Bond Ordinance described below. The total amount due on the Date of Maturity is the amount shown above as the Payment at Maturity.

For all purposes of this Bond, the principal amount at any time is the sum of the Principal Amount upon Original Issuance specified above plus interest on this Bond accrued and compounded to such date as provided above. Principal of and premium, if any, on this Bond are payable only upon presentation and surrender of this Bond for cancellation at the principal

**corporate trust office of** ■, Chicago, Illinois (the "Paying Agent"). Payments shall be made in lawful money of the United States of America.

This Bond is one of a duly authorized issue of bonds of the City designated "Water Revenue Project and Refunding Bonds, Series 2012," issued in the aggregate original principal amount of \$ (the "Bonds") under and pursuant to the provisions of an ordinance

**duly adopted by the City Council of the City on** , 2012 (the "Bond Ordinance").

*The Bonds are authorized for the purposes of (1) refunding the Refunded Senior Lien Bonds, or the Refunded Second Lien Bonds or the Refunded Subordinate Lien Obligations, (2) paying Project Costs, (3) funding capitalized interest, (4) paying Costs of Issuance of the Bonds, including costs of acquiring a Senior Lien Debt Service Reserve Fund CTedit Instrument and (5) making a deposit to the 2012 Senior Lien Project and Refunding Bonds Subaccount of the Senior Lien Bond Debt Service Reserve Account. [Strike inapplicable purposes.]*

The Bonds are limited obligations of the City with a claim, together with certain outstanding bonds, for payment solely from the net revenues derived from the operation of the City's Water System. Additional bonds may be issued on a parity with the Bonds. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness. Under the Bond Ordinance, the entire revenues received from the operation of the Water System are required to be deposited in a separate fund designated the "Water Fund of the Municipality of Chicago" (the "Water Fund"). The Water Fund is required to be used only and is irrevocably pledged for (1) paying the costs of operating and maintaining the Water System, (2) paying outstanding obligations of the City, including, the Bonds, as well as bonds on a parity with the Bonds, that are payable by their terms from the net revenues of the Water System, and (3) establishing and maintaining all reserve funds or accounts which are required to be established and maintained by the bond ordinances authorizing water revenue bonds of the City, provided that any funds available after these requirements have been satisfied or which are not necessary to satisfy these requirements may be used for any lawful purpose of the Water System, as provided in the Bond Ordinance.

No official, officer, member of the City Council, agent or employee of the City shall, be liable personally on this Bond by reason of the issuance of this Bond.

It is certified and recited that all acts, conditions and things required to exist, to have happened and to have been performed precedent to and in connection with the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law. Provision has been made to deposit in the Water Fund the entire revenues received from the operation of the Water System to be applied in the manner set forth above.

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## FORM OF BACK OF SERIES 2012 PROJECT AND REFUNDING BOND

*The following seven paragraphs, including the tables, are applicable if any of the Series 2012 Project and Refunding Bonds are subject to redemption, in whole or in part, prior to maturity at the option of the City, or are sold as term bonds subject to mandatory sinking fund redemption. They shall not be included in any Series 2012 Project and Refunding Bonds which are Capital Appreciation Bonds. The Chief Financial Officer (as defined in the Bond Ordinance) may in the Determination Certificate set forth language to be included in the form of Bond for (i) any Series 2012 Project and Refunding Bond which is a Capital Appreciation Bond and (ii) any Series 2012 Project and Refunding Bond which is a Build America Bond (as defined in the Bond Ordinance).*

The Bonds due on or after November 1, \_\_\_\_\_, are subject to redemption prior to maturity at the option of the City, in whole on any date on or after November 1, \_\_\_\_\_, or in part on \_\_\_\_\_, or on any interest payment date after that date, at the redemption prices set forth in the table below, expressed as a percentage of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

Date of	<u>Redemption</u>	<u>Redemption Price</u>
to and including		%
to and including		■
on and after		

The Bonds maturing on November 1, \_\_\_\_\_, and \_\_\_\_\_, 1, \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to maturity on \_\_\_\_\_ 1 of each of the years and in the principal amounts set forth in the table below, as selected by lot by the Bond Registrar as provided below, at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Bonds Maturing November 1, _____ :		
Year	Amount	Year Amount
	\$ \$	

Bonds Maturing November 1, _____ :		
Year	Amount	Year Amount
	\$ \$	

To the extent that the Bonds maturing on November 1, \_\_\_\_\_, or November 1, \_\_\_\_\_, have been previously called for redemption in part other than from sinking fund payments or purchase by the City, annual sinking fund payments for the Bonds maturing on November 1, \_\_\_\_\_, or on November 1, \_\_\_\_\_, as the case may be, shall be reduced as provided in the Bond Ordinance.

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In the event of a redemption of fewer than all the Bonds of a specified maturity and interest rate within such maturity, the Bond Registrar shall assign to each outstanding Bond of such maturity and interest rate within such maturity of a denomination greater than \$5,000 a distinctive number for each \$5,000 portion of such Bond so as to distinguish each such \$5,000 portion from each other portion of such Bond. The Bond Registrar shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to the Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned the numbers so selected, but only so much of the principal amount of each such Bond of a denomination of greater than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

If less than the entire principal amount of a Bond shall be called for redemption, the City shall execute and the Authenticating Agent shall authenticate and deliver, upon surrender of such Bond, without charge to the Registered Owner, one or more new Bonds of any authorized denomination, of like maturity, interest rate and aggregate principal amount as the unredeemed balance of the principal amount of the Bond so surrendered. If, on the date fixed for redemption, (a) money in an amount equal to the redemption price of the Bonds to be redeemed shall be held by the Paying Agent and is available for such redemption and (b) notice of redemption shall have been given as described above, interest on the Bonds so redeemed shall cease from and after the date fixed for redemption.

Notice of redemption shall be given by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the date fixed for redemption to each Registered Owner of Bonds to be redeemed at such owner's address as shown in the bond register kept by the Bond Registrar and by such other additional method, if any, as the City shall deem appropriate. Notice of redemption shall specify the maturities and interest rates within such maturities of the Bonds to be redeemed, the date fixed for redemption and, if less than all of the Bonds of any specified maturity and interest rate within such maturity are to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amounts of such Bonds to be redeemed. Failure to give such notice by mail or a defect in the notice or the mailing as to any Bond will not affect the validity of any proceedings for redemption as to any other Bond as to which notice was given properly and the failure of any owner of a Bond to receive the notice shall not affect the validity of the redemption.

If less than the entire principal amount of a Bond shall be called for redemption, the City shall execute and the Authenticating Agent shall authenticate and deliver, upon surrender of such Bond, without charge to the Registered Owner, one or more new Bonds of any authorized denomination, of the same maturity, interest rate and aggregate principal amount as the unredeemed balance of the principal amount of the Bond so surrendered. If, on the date fixed for redemption, (a) money in an amount equal to the aggregate principal amount of all of the Bonds or portions of Bonds to be redeemed, together with any redemption premium and interest accrued on the Bonds to the redemption date, shall be held by the Paying Agent and are available for such redemption, and (b) notice of redemption shall have been given as described above, interest on the Bonds so redeemed shall cease from and after the date fixed for redemption.

*The following sever) paragraphs and the Assignment for Transfer shall appear on all Bonds.*

This Bond is negotiable, subject to the following provisions for registration, registration of transfer and exchange. The City shall maintain books for the registration of this Bond at the principal corporate trust office of the Bond Registrar. This Bond shall be registered on those books.

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This Bond is transferable on the bond register upon surrender of this Bond for transfer at the principal corporate trust office of the Bond Registrar, upon which one or more new Bonds of any authorized denomination of like maturity, interest rate and aggregate principal amount will be issued to the designated transferee or transferees.

At the option of the Registered Owner, any Bond may be exchanged for another Bond or Bonds of any authorized denomination, of the same maturity, interest rate and aggregate principal amount, upon surrender of the Bond to be exchanged to the Bond Registrar. Upon such surrender for exchange, the City shall execute and the Authenticating Agent shall authenticate and deliver the Bonds which the Registered Owner making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange shall (if so required by the Bond Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Bond Registrar duly executed, by the Registered Owner of such Bond or such owner's duly authorized representative.

In all cases in which Bonds are to be transferred or exchanged, the Bond Registrar may require payment of a sum sufficient to cover any tax, fee or other general governmental charge that may be imposed and to reimburse it for any expenses incurred in connection with such transfer or exchange. The Bond Registrar shall not be required to transfer or exchange any Bond during a period beginning at the opening of business on the 15th day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which notice of redemption is given or after notice selecting such Bond for redemption has been given.

The Bonds may be deposited with a fiscal agent in New York, New York, or such other agent as the Bond Registrar may designate, for transmission to the Bond Registrar for purposes of exchange or transfer.

The City and any agent of the City may deem and treat the person in whose name this Bond is registered as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal, redemption premium, if any, and interest due on this Bond and for all other purposes. Neither the City nor any agent of the City shall be affected by any notice to the contrary.

#### FORM OF ASSIGNMENT FOR TRANSFER

For Value Received, the undersigned, \_\_\_\_\_, sells, assigns and  
transfers to \_\_\_\_\_ (Tax Identification or Social Security No. \_\_\_\_\_)  
\_\_\_\_\_ ) this Bond and all rights under this Bond, and irrevocably constitutes  
and appoints \_\_\_\_\_ attorney to transfer this Bond on the books kept for the  
registration of this Bond.

Dated: \_\_\_\_\_

Signature \_\_\_\_\_

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

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Exhibit "B". ■ (To Ordinance)

*Form Of Seventh Supplemental Indenture. City Of*

*Chicago*

To

*The Bank Of New York Mellon Trust*

*Company, N.A. As Trustee*

*Seventh Supplemental Indenture*

*Securing*

*Second Lien Water Revenue Bonds, Series 2012\_*

Dated As Of , 2012.

Supplementing a Master Indenture of Trust Securing Second Lien Water Revenue Bonds, dated as of December 15, 1999, from the City of Chicago to The Bank of New York Mellon Trust Company, N.A., as successor Trustee, as amended by Amendment No. 1 to Master Indenture dated as August 1, 2004.

## REPORTS OF COMMITTEES

THIS SEVENTH SUPPLEMENTAL INDENTURE is made and entered into as of , 2012 (this "Seventh Supplemental Indenture"), from the City of Chicago (the "City"), a municipal corporation and home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois, to The Bank of New York Mellon Trust Company, NA., as successor Trustee (the "Trustee"), a national banking association duly organized, existing and authorized to accept and execute trusts of the character set out in this Seventh Supplemental Indenture under and by virtue of the laws of the United States of America, as Trustee,

WITNESSETH:

WHEREAS, the City is a duly constituted And existing municipality within the meaning of Section 1 of Article VII of the 1970 Constitution of the State of Illinois, and is a "home rule unit" of local government under Section 6(a) of Article VII of the 1970 Constitution; and

*WHEREAS, the City has determined to improve and extend the Water System, and to issue bonds to pay the costs of such improvements and extension (the "Series 2012 Current Projects"); and*

WHEREAS, the City has determined to refund and retire the Series 2004 Commercial Paper Notes in Order to provide permanent financing for the Commercial Paper Financed Projects and to issue bonds to pay the costs of such refunding (the "Series 2004 Commercial Paper Notes Refunding"); and

*WHEREAS, the Series 2012\_ Current Projects and Series 2004 Commercial Paper Notes Refunding are collectively referred to herein as the "Series 2012 Projects."]*

WHEREAS, the estimated amount of Project Costs relating to the Series 2012\_ Projects (the "Series 2012 Project Costs"), is not less than \$ \_\_\_\_\_; and

Costs; and WHEREAS, the City does not have available funds sufficient to pay the Series 2012\_ Project

WHEREAS, the City has determined to refund its Refunded Senior Lien Bonds, its Refunded Second Lien Bonds and its Refunded Second Lien Obligations (each as defined herein); and

WHEREAS, the City has issued and has outstanding with respect to the Water System the following: (i) the Series 1993 Bonds, the Series 1995 Bonds, the Series 1997 Bonds, the 2000 Senior Lien Bonds and the 2001 Senior Lien Bonds (each as defined in the Series 2012 Bond Ordinance and collectively, the "Outstanding Senior Lien Bonds"); (ii) the 2000 Second Lien Bonds, the 2001 Second Lien Bonds, the Series 2004 Second Lien Bonds, the Series 2006 Second Lien Bonds, the Series 2008 Second Lien Bonds and the Series 2010 Second Lien Bonds (each as defined in the Series 2012 Bond Ordinance and collectively, the "Outstanding Second Lien Bonds"); (iii) the 2000 Subordinate Lien Obligations and the 2001 Subordinate Lien Obligations (each as defined in the Series 2012 Bond Ordinance and collectively, the "Outstanding Subordinate Lien Obligations" and, together with the Outstanding Senior Lien Bonds and the Outstanding Second Lien Bonds, the "Outstanding Bonds"); and (iv) the Series 2004 Commercial Paper Notes; and

WHEREAS, pursuant to an ordinance duly adopted by the City Council on \_\_\_\_\_, 2012 (the "Senas 2012 Bond Ordinance"), the City has determined to authorize, among other things, the issuance of its Senior Lien Water Revenue Project and Refunding Bonds, Series 2012 (the "2012 Senior Lien Project and Refunding Bonds"), its Second Lien Water Revenue Project and Refunding Bonds, Series 2012 (the "2012 Second Lien Project and Refunding Bonds"), and its Subordinate Lien Water Revenue Project and Refunding Bonds, Series 2012 (the "2012 Subordinate Lien



Obligations" and together with the 2012 Senior Lien Project and Refunding Bonds and the 2012 Second Lien Project and Refunding Bonds, the "Series 2012 Project and Refunding Bonds"), or any combination of 2012 Senior Lien Project and Refunding Bonds, 2012 Second Lien Project and Refunding Bonds and 2012 Subordinate Lien Obligations, in one or more series for any one or more of the purposes described therein; and

WHEREAS, the City has entered into a Master Indenture of Trust Securing City of Chicago Second Lien Water Revenue Bonds, dated as of December 15, 1999, as heretofore supplemented and as amended by Amendment No. 1 To Master Indenture, dated as of August 1, 2004 (the "Master Indenture", the Master Indenture as heretofore and hereafter supplemented and amended, including by this Seventh Supplemental Indenture, the "Indenture"), with the Trustee, which Indenture authorizes the issuance of Second Lien Parity Bonds in one or more series pursuant to one or more Supplemental Indentures and the incurrence by the City of Section 2.08 Obligations (as defined in the Indenture) and Section 2.09 Obligations (as defined in the Indenture); and

WHEREAS, pursuant to Section 2.01 of Part C of the Series 2012 Bond Ordinance, the City has authorized the issuance and sale of the 2012 Second Lien Project and Refunding Bonds pursuant to the Indenture in one or more separate series in an aggregate principal amount of up to \$750,000,000, plus an additional amount equal to the amount of original issue discount used in marketing the 2006 Second Lien Project and Refunding Bonds of a series, provided, that the maximum aggregate principal amount of the Series 2012 Project and Refunding Bonds that may be issued pursuant to the Series 2012 Bond Ordinance and the Indenture is limited to \$750,000,000 plus the amount of original issue discount used in marketing the Series 2012 Project and Refunding Bonds; and

WHEREAS, in order to (i) refund the Refunded Bonds (as defined below), (ii) pay Series 2012\_ Project Costs and (iii) pay Costs of Issuance of the 2012\_ Second Lien Bonds, including the premium paid to the Bond Insurer (as defined below) for the issuance of the Bond Insurance Policy (as defined below), the City has, pursuant to authorization granted in the Series 2012 Bond Ordinance, determined to issue and sell aggregate principal

## REPORTS OF COMMITTEES

amount of Second Lien Water Revenue Bonds, Series 2012\_ (the "2012\_ Second Lien Bonds"); and

WHEREAS, the 2012\_ Second Lien Bonds, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, shall be substantially in the form attached to this Seventh Supplemental Indenture as Exhibit A, with necessary and appropriate variations, omissions and insertions 'as permitted or required by the Indenture or this Seventh Supplemental Indenture;

**NOW, THEREFORE, THIS SEVENTH SUPPLEMENTAL INDENTURE WITNESSETH:**

## GRANTING CLAUSES

*That the City, in consideration of the premises and the acceptance by the Trustee of the trusts created by this Seventh Supplemental Indenture, and of the purchase and acceptance of the 2012i Second Lieri Bonds by their Registered Owners, and of the sum of one dollar, lawful money of the United States of America, to it duly paid .by the Trustee at or before the execution and delivery of these presents, and for other good and: valuable consideration, the receipt and sufficiency of which are acknowledged; to secure the payment of the principal of, premium, if any, and interest on the 2012\_ Second Lien Bonds according to their tenor and effect, and to secure the performance and observance by the City of all the covenants expressed or implied in this Seventh Supplemeritar Indenture and in 'the 2012\_ Second Lien Borids, assigns and grants a security interest in and to the following to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the City set forth below (the "Trust Estate"):*

### **GRANTING CLAUSE FIRST**

All right, title and interest of the City in and to Second Lien Bond Revenues (as defined the Series 2012 Bond Ordinance); and amounts on deposit in the Second Lien Bonds Account and in the 2012\_ Construction Account (as hereinafter defined), in each case to the extent pledged and assigned in the granting clauses of the Indenture;

### **GRANTING CLAUSE SECOND**

All moneys and securities from time to time held by the Trustee under the terms of this Seventh Supplemental Indenture; and

### **GRANTING CLAUSE THIRD**

Any and all other property, rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to this Seventh Supplemental Indenture, as and for additional security under this Seventh Supplemental Indenture by the City or by any other person on its behalf or with its written consent to the Trustee, and the Trustee is by this Seventh Supplemental Indenture authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this Seventh Supplemental Indenture;

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TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in this Seventh Supplemental Indenture for the equal and proportionate benefit, security and protection of all present and future Registered Owners of the 2012\_ Second Lien Bonds and all other Second Lien Bonds issued or secured from time to time under the provisions of the Indenture, without privilege, priority or distinction as to the lien or otherwise of any of the foregoing over any other of the foregoing, except to the extent otherwise specifically provided in this Seventh Supplemental Indenture or in the Indenture;

PROVIDED, HOWEVER, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the 2012\_ Second Lien Bonds; and Shall cause the payments to be made on the 2012\_ Second Lien Bonds as required in this Seventh Supplemental Indenture, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of the Indenture and this Seventh Supplemental Indenture and shall pay or cause to be paid to the Trustee all sums of money due or to become due to the Trustee in accordance with the terms and provisions of this Seventh Supplemental Indenture, then upon the final payment of such sums this Seventh Supplemental Indenture and the rights by this Seventh Supplemental Indenture granted shall cease, determine and be void; otherwise this Seventh Supplemental Indenture shall remain in full force and effect. "

THIS SEVENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH, and it is expressly declared; that all 2012\_ Second Lien Bonds issued and secured under this Seventh Supplemental Indenture are to be issued, authenticated and delivered, and all said property, rights and interests and any other amounts assigned and pledged by this Seventh Supplemental Indenture are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in this Seventh Supplemental Indenture, and the City has agreed and covenanted and by this Seventh Supplemental Indenture agrees and covenants With the Trustee,

the respective owners of the 2012\_ Second Lien Bonds as follows:

## ARTICLE I

### DEFINITIONS

Section 1.01. Definitions. All capitalized terms used in this Seventh Supplemental Indenture unless otherwise defined shall have the same meaning as used in Article I of the Indenture and in the Series 2012 Bond Ordinance. In addition, the following words and phrases shall have the following meanings for purposes of this Seventh Supplemental Indenture:

"Authorized Denomination" means, with respect to a particular 2012\_ Second Lien Bond, \$5,000 and any integral multiple of \$5,000.

"Bondholder" "holder" "owner of the 2012\_ Second Lien Bonds" or "Registered Owner" means the Registered Owner of any 2012\_ Second Lien Bond.

["Bond Insurance Policy" means  
issued by the Bond Insurer on the date of issuance of the 2012\_ Second Lien Bonds insuring

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the payment when due of the principal of (whether at maturity or upon mandatory sinking fund redemption) and interest on the 2012\_ Second Lien Bonds as provided herein.

"Bond Insurer" means . . . . .]

"Bond Register" means the registration books of the City kept by the Trustee (in its capacity as Bond Registrar) to evidence the registration and transfer of 2012\_ Second Lien Bonds.

"Bond Registrar" means the Trustee.

"Chief Financial Officer" means the Chief Financial Officer of the City appointed by the Mayor or, in the event no person is at the time then so appointed and acting, the City Comptroller of the City.

"City" means the City of Chicago, a municipal corporation and home rule unit of local government, organized and existing under the Constitution and laws of the State.

"Code" means the United States Internal Revenue Code of: 1986, as amended. References to the Code and to Sections of the Code shall include relevant final, temporary or proposed regulations thereunder as in effect from time to time and as applicable to obligations issued on the Date of Issuance.

["Commercial Paper Financed Projects" means those improvements to and extensions of the Water System financed with proceeds of the Series 2004 Commercial Paper Notes.]

"Costs of Issuance Account" means the account designated the "2012\_ Second Lien Bonds, Costs of Issuance Account" established in the Series 2012\_ Dedicated Subaccount as described in Section 4.02(b)(1) and Section 4.06 hereof.

"Date of Issuance" means ■ • , 2012, the date of original issuance and delivery of the 2012\_ Second Lien Bonds under this Seventh Supplemental Indenture.

"Depository Agreement" means the Depository Agreement dated , 2012 between the City and The Bank of New York Mellon Trust Company, N.A., as depository, pursuant to which

funds on deposit in the Series 2012\_ Construction Subaccount shall be held and disbursed.

"DTC means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns, or any other depository performing similar functions.

"Indenture" means the Master Indenture of Trust Securing Second Lien Water Revenue Bonds, dated as of December 15, 1999, from the City to the Trustee, pursuant to which Bonds are authorized to be issued, as heretofore supplemented and as amended by Amendment No 1 To Master Indenture, dated as of August 1, 2004 and any additional amendments and supplements to it, including this Seventh Supplemental Indenture. References to Articles and Sections of the Indenture shall be deemed to refer to Articles and Sections of the Indenture as amended.

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"Interest Payment Date" means each May 1 and November 1, commencing on  
 , 2012.

"Maturity Date" means, with respect to a particular 2012\_ Second Lien Bond, the maturity date for such 2012\_ Second Lien Bond set forth in Section 2.01 (c) hereof.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel in form and substance acceptable to the City and the Trustee, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

"Participant," when used with respect to any Securities Depository, means any participant of such Securities Depository.

"Paying Agent" means the Trustee and any other bank, national banking association or trust company designated by the City or the Trustee pursuant to Section 8.03 hereof as a paying agent for the 2012\_ Second Lien Bonds, and any successor or successors appointed by the Chief Financial Officer or the Trustee under, this Seventh Supplemental Indenture.

"Permitted Investments" means any of the following:

a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

b) trust receipts or other certificates of ownership evidencing an ownership interest in the principal of or interest on, or both principal of and interest on, obligations described in clause (a) of this definition, which obligations are held in trust by a bank described in clause (d) of this definition, provided that such bank holds such obligations separate and segregated from all other funds and accounts of the City and of such bank and that a perfected first security interest under the Illinois Uniform Commercial Code, or under book entry procedures prescribed at 31 C.F.R. 306.0 et seq. or 31 C.F.R. 350.0 et seq. (or other similar book entry procedures similarly prescribed by federal law or regulations adopted after the date of execution and delivery of this Sixth Supplemental Indenture) has been created in such obligations for the benefit of the applicable account in the Water Fund or, to the extent permitted, in any irrevocable trust or escrow established to make provision for the payment and discharge of the indebtedness on all Series 2010 Bonds of a Series or other obligations which are payable from Net Revenues Available for Bonds;

c) obligations of Fannie Mae or of any agency or instrumentality of the United States of

America now existing or created after the issuance and delivery of the Series 2010 Bonds, including but not limited to the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank;

d) negotiable or non-negotiable time deposits evidenced (i) by certificates of deposit issued by any bank, trust company, national banking association or savings and loan association which has capital of not less than \$250,000,000 or (ii) by certificates of deposit which are continuously and fully insured by (A) any federal agency or (B) an insurer that at the time of issuance of the policy securing such deposits has been assigned a credit rating on its long-term unsecured debt within one of the two highest

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rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, from at least two Rating Agencies;

. (e) repurchase agreements with banks described in clause (d) of this definition or with government bond dealers reporting to, trading with, and recognized as primary dealers by a Federal Reserve Bank, provided (i) that the underlying securities are obligations described in clauses (a) or (c) of this definition and are required to be continuously maintained at a market value not less than the amount so invested, (ii) the City has received an opinion of counsel to the effect that a custodian for the City has possession of the underlying securities as collateral and has a perfected first security interest in the collateral, and (iii) the collateral is in the opinion of such counsel free and clear of claims by third parties;

(0 obligations of any state of the United States of America: or any political subdivision of a state or any agency or instrumentality of a State or political subdivision which are, at the time of purchase, rated by at least two Rating Agencies in one of their two highest respective long-term rating categories; without regard to any refinement or gradation of rating categories by numerical modifier or otherwise (if not rated by at least two Rating Agencies then a rating by a single Rating Agency shall be satisfactory), for comparable types of debt obligations;

g) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by at least two Rating Agencies, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, in their highest rating category (if not rated by at least two Rating Agencies then a rating by a single Rating Agency shall be satisfactory), for comparable types of debt obligations;

h) repurchase agreements and investment agreements (including forward purchase agreements pursuant to which the City agrees to purchase securities of the type described in clauses (a), (b), (c), (f), (g) and (i) of this definition of "Permitted Investments"), with any bank, trust company, national banking association (which may include any Paying Agent or Bond Registrar), insurance company or any other financial institution which at the date of the agreement has an outstanding, unsecured, uninsured and unguaranteed debt issue rated by at least two Rating Agencies in one of their three highest respective long-term rating categories, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, or if such institution is not so rated, that the agreement is secured by such securities as are described in clauses (a) through (d) above, inclusive, having a market value at all times (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount invested pursuant to the agreement, provided that (i) a custodian for the City (which custodian is not the entity with which the City has the repurchase or investment agreement) has a perfected first security interest in the collateral and the City has received an opinion of counsel to that effect, (ii) the custodian or an agent of the custodian (which agent is not the entity with which the City has the repurchase or investment agreement) has possession of the collateral, and (iii) such obligations are in the opinion of such counsel free and clear of claims by third parties;

- (i) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated by at least one Rating Agency in its

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highest short-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(j) certificates of deposit of national banks that are either fully collateralized at least 110 percent by marketable U.S. government securities marked to market at least monthly or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, as rated by at least one Rating Agency and maintaining such rating during the term of such investment; and

(k) shares of a money market fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, as amended.

"Principal and Interest Account means the account designated the "2012\_ Second Lien Bonds, Principal and Interest Account" established in the Series 2012\_ Dedicated Subaccount as described in Section 4.02(b)(3) hereof.

"Principal and Interest Account Requirement means an amount, calculated as of each Deposit Date, equal to the total Principal Installments and interest due on the 2012\_ Second Lien Bonds on such Deposit Date.

"Program Fee Account means the account designated the "2012\_ Second Lien Bonds, Program Fee Account" established in the Series 2012\_ Dedicated Subaccount as described in Section 4.02(b)(2) and Section 4.06 hereof.

"Program Fees" means:

a) the fees, expenses , and other charges payable to each fiduciary, including the Trustee, the Trustee's Agent and any Paying Agent, pursuant to the provisions of Section 8.05 of the Indenture; provided that if at any time there shall be any Series of Second Lien Bonds Outstanding under, the Indenture other than the 2012\_ Second Lien Bonds, then "Program Fees" shall mean only such portion of such fees, expenses and other charges as shall be payable with respect to, or properly allocable to, the duties performed by each such fiduciary with respect to the 2012\_ Second Lien Bonds;

b) ongoing fees payable to any Rating Agency maintaining a rating on any 2012\_ Second Lien Bonds; and

c) any other fees, expenses and other charges of a similar nature payable by the City to any person under , this Seventh Supplemental Indenture or otherwise with respect to the 2012\_ Second Lien Bonds.

"Rating Agency" means any nationally recognized ratings service that shall have assigned ratings to any 2012\_ Second Lien Bond as requested by or on behalf of the City and which ratings are then currently in effect.

"Record Date" means April 15 and October 15 of each year (whether or not a Business Day).

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"Refunded Bonds" means, collectively, the Refunded Senior Lien Bonds, the Refunded Second Lien Bonds and the Refunded Subordinate Lien Obligations.

"Refunded Second Lien Bonds" means [To come, if any].

"Refunded Senior Lien Bonds" means [To come, if any].

"Refunded Subordinate Lien Obligations" means [To come, if any].

"Registered Owner" or "Owner" means the person or persons in whose name or names a 2012\_\_ Second Lien Bond shall be registered in the Bond Register.

"Securities Depository" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the 2012\_\_ Second Lien Bonds.

["Series 2004 Commercial Paper Notes" means the Series 20 - Notes and  
the Series 20 - Notes issued to finance or refinance costs of the Commercial Paper  
Financed Projects, currently outstanding in the aggregate principal amount of \$ .

"Series 2004. Commercial Paper Notes Bank" means BNP Paribas, acting through its San Francisco Branch, as issuer of the Series 2004 Commercial Paper Notes Letter of Credit.

"Series 2004 Commercial Paper Notes Bank Payment Account" means the Series A Bank Payment Account of the Debt Service Account established under the Series 2004 Commercial Paper. Notes Indenture and held by the Series 2004 Commercial Paper Notes Issuing and Paying Agent pursuant to the terms of the Series 2004 Commercial Paper Notes Issuing and Paying Agent Agreement.

"Series 2004 Commercial Paper Notes Indenture" means the Trust Indenture dated as of October 1, 2004, between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee, providing for the issuance of the Series 2004 Commercial Paper Notes.

"Series 2004 Commercial Paper Notes Issuing and Paying Agent" means The Bank of New York Mellon Trust Company, N.A, as successor Issuing and Paying Agent for the Series 2004 Commercial Paper Notes under the Series 2004 Commercial Paper Notes Issuing and Paying Agent Agreement.

"Series 2004 Commercial Paper Notes Issuing and Paying Agent Agreement" means the Issuing and Paying Agent Agreement dated as of October 1, 2004 between the City and the Series 2004 Commercial Paper Notes Issuing and Paying Agent.

"Series 2004 Commercial Paper Notes Letter of Credit" means the letter of credit issued by the Series 2004 Commercial Paper Notes Bank securing the payment of the principal of and interest on the Series 2004 Commercial Paper Notes.

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"Series 2004 Commercial Paper Notes Refunding" means the refunding and retirement of the Series 2004 Commercial Paper Notes as described in clause (iii) of Section 4.03 hereof.

"Series 20\_\_ - Notes" means the Series 2004 Commercial Paper Notes so designated, currently outstanding in the principal amount of \$\_\_\_\_\_, bearing interest at the rate of \_\_\_\_\_ % per annum and maturing on \_\_\_\_\_, 200\_\_.

"Series 20\_\_ - Notes" means the Series 2004 Commercial Paper. Notes so designated, currently outstanding in the principal amount of \$\_\_\_\_\_, bearing interest at the rate of \_\_\_\_\_ % per annum and maturing on \_\_\_\_\_, 200\_\_.

"Series 2012\_\_ Current Projects" means these improvements to and extensions of the Water System financed with amounts on deposit in the Series 2012\_\_ Construction Account.].

"Series 2012\_\_ Dedicated Subaccount" means the fund of that name established and described in Section 4.02.

"Series 2012\_\_ Project Costs" means the Project Costs: related to the Series 2012\_\_ Current Projects, [and the Series 2004 Commercial Paper Notes Refunding, collectively.]

"Seventh Supplemental Indenture" means this Seventh Supplemental Indenture and any amendments and supplements to this Seventh Supplemental indenture.

"State" means the State of Illinois.

"2012\_\_ Construction Account" means the Construction Account: 2012\_\_ Second Lien Water Revenue Bonds established pursuant to Section 3.02 of Part C of the 2012\_\_ Bond Ordinance, as described in Section 4.07 hereof.

"2012\_\_ Refunding Escrow Agent" means \_\_\_\_\_, Chicago, Illinois.

"2012\_\_ Refunding Escrow Agreement" means the 2012\_\_ Refunding Escrow Agreement dated \_\_\_\_\_, 2012, between- the City and \_\_\_\_\_ as escrow agent, providing for the refunding of the Refunded Senior Lien Bonds.

"2012 Refunding Second Escrow Agreement" means the 2012 Refunding Second Escrow Agreement dated \_\_\_\_\_, 2012, between the City and the Trustee providing for the refunding of the Refunded Second Lien Bonds and the Refunded Subordinate Lien Obligations.

"2012\_\_ Second Lien Bonds" means the Second Lien Water Revenue Bonds, Series 2012\_\_ authorized to be issued pursuant to Section 2.01 hereof.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses of this Seventh Supplemental Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America (as

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successor trustee), and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor



trustee under this Seventh Supplemental Indenture.

"Trustee's Agent means any agent designated as Trustee's Agent by the Trustee and at the time serving in that capacity. Any agent so designated by the Trustee shall execute a written agreement with the Trustee assuming all obligations of the Trustee under this Seventh Supplemental Indenture with respect to those duties of the Trustee which such agent agrees to perform on behalf of the Trustee.

## ARTICLE II

### THE 2012\_ LIEN BONDS

Section 2.01. Authority for and Issuance of 2012\_ Second Lien Bonds, (a) No 2012\_ Second Lien Bonds may be issued under the provisions of this Seventh Supplemental Indenture except in accordance with this Article. The 2012\_ Second Lien Bonds are being issued to provide funds to (i) refund Outstanding Senior Lien Bonds and Outstanding Second Lien Bonds, (ii) pay a portion of the Series 2012\_ Project Costs and (iii) pay Costs of Issuance of the 2012\_ Second Lien Bonds, including the premium paid to the Bond Insurer for the issuance of the Bond Insurance Policy. Pursuant to the Series 2012 Bond Ordinance, the total principal amount of 2012\_ Second Lien Bonds that may be issued under this Seventh Supplemental Indenture is expressly limited to \$ ,000,000 (other than 2012\_ Second Lien Bonds issued in lieu of or in substitution for which other 2012\_ Second Lien Bonds have been authenticated and delivered pursuant to Sections 2.01(c), 2.03, 2.04, 2.06, 2.07 or 3.03(c) hereof).

b) The 2012\_ Second Lien Bonds shall be designated "City of Chicago Second Lien Water Revenue Bonds, Series 2012\_" and shall be issued in the aggregate principal amount of \$ . The 2012\_ Second Lien Bonds shall be issuable as fully registered bonds, without coupons, in Authorized Denominations, substantially in the form attached as Exhibit A. Unless the City shall otherwise direct, the 2012\_ Second Lien Bonds shall be lettered and numbered from R-1 and upwards, but need not be numbered consecutively.

c) The 2012\_ Second Lien Bonds, as initially issued, shall be dated the Date of Issuance, and shall mature on November 1 in each of the years and in the principal amounts and shall bear interest at the respective rates per year set forth in the table below:

Maturity (November 1)	Principal Amount	Rate Per Annum	Maturity (November 1)	Principal Amount	Rate Per Annum
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(d) Each 2012\_ Second Lien Bond authenticated prior to the first Interest Payment Date on such 2012\_ Second Lien Bonds shall bear interest from the Date of Issuance, and following the first Interest Payment Date interest shall accrue as set forth in the next paragraph except that if as shown by the records of the Trustee, interest on such 2012\_ Second Lien Bond shall be in default, any 2012\_ Second Lien Bond issued in exchange for or upon the registration of transfer of such 2012\_ Second Lien Bond shall bear interest from the date to

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which interest has been paid in full on such 2012\_ Second Lien Bond or, if no interest has been paid on such 2012\_ Second Lien Bond, the Date of Issuance. Each 2012\_ Second Lien Bond shall bear interest on overdue principal and, to the extent permitted by law, on overdue premium, if any, and interest at the rate borne by such 2012\_ Second Lien Bond on the date on which such principal, premium or interest came due and payable.

e) Interest on the 2012\_ Second Lien Bonds shall be payable on each Interest Payment Date, computed upon the basis of a 360-day year consisting of twelve 30-day months. No interest shall accrue on any 2012\_ Second Lien Bond after the Maturity Date thereof (provided, the payment at maturity is paid or provided for in accordance with the provisions of the Indenture).

f) The principal of and interest on the 2012\_ Second Lien Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment of such 2012\_ Second Lien Bonds, is legal tender for the payment of public and private debts.

g) The principal of the 2012\_ Second Lien Bonds shall be payable at the designated corporate trust office of the Trustee or, at the option of the Registered Owners, at the designated corporate trust office of any Paying Agent named in such 2012\_ Second Lien Bonds, upon presentation and surrender of such 2012\_ Second Lien Bonds.

h) Payment of interest on 2012\_ Second Lien Bonds shall be paid by check mailed on the Interest Payment Date to the persons appearing on the Bond Register as the Registered Owners of such 2012\_ Second Lien Bonds as of the close of business of the Trustee on the Record Date at the addresses of such Registered Owners as they appear on the Bond Register, or at such other addresses as are furnished to the Trustee in writing by the Registered Owners not later than the Record Date. Payment of interest on any 2012\_ Second Lien Bond shall be made to the Registered Owner of \$1,000,000 or more in aggregate principal amount of 2012\_ Second Lien Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States to which such Registered Owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

(i) The 2012\_ Second Lien Bonds shall bear interest from and including the Date of Issuance, until payment of the principal or redemption price of the 2012\_ Second Lien Bonds shall have been made or provided for in accordance with the provisions of this Seventh Supplemental Indenture, whether at the Maturity Date or otherwise.

Section 2.02. Execution; Limited Obligations. The 2012\_ Second Lien Bonds shall be executed on behalf of the City with the official manual or facsimile signature of the Mayor of the City and attested with the official manual or facsimile signature of its City Clerk or Deputy City Clerk, and shall have affixed, impressed, imprinted or otherwise reproduced on the 2012\_ Second Lien Bonds the corporate seal of the City or a facsimile of such seal. The 2012\_ Second Lien Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State, and pursuant to the Series 2012 Bond Ordinance. The 2012\_ Second Lien Bonds, the Section 2.08 Obligations and the Section 2.09 Obligations are not general obligations of the City, but are limited obligations payable solely from the Trust Estate, including Second Lien Bond Revenues, amounts on deposit in the Second Lien Bonds Account and the 2012\_

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Construction Account, and shall be a valid claim of the respective Registered Owners of the 2012\_ Lien Bonds only against the Trust Estate, including amounts on deposit in the Second Lien Bonds Account and the 2012\_ Construction Account and other moneys held by the Trustee or otherwise pledged therefor, which amounts are by this Seventh Supplemental Indenture pledged, assigned and otherwise held as security for the equal and ratable payment of the 2012\_ Second Lien Bonds, the Section 2.08 Obligations and the Section 2.09 Obligations, and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the 2012\_ Second Lien Bonds, the Section 2.08 Obligations and the Section 2.09 Obligations,

except as may be otherwise expressly authorized in the Indenture or in this Seventh Supplemental Indenture. Neither the 2012\_ Second Lien Bonds, the Section 2.08 Obligations nor the Section 2.09 Obligations shall constitute an indebtedness of the City or a loan of credit of the City within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the City, the State or any political subdivision of the State is pledged to the payment of the principal of premium, if any, or the interest on the 2012\_ Second Lien Bonds, the Section 2.08 Obligations or the Section 2.09 Obligations, or other costs incident to the 2012\_ Second Lien Bonds, the Section 2.08 Obligations or the Section 2.09 Obligations. In case any officer whose signature or a facsimile of whose signature shall appear on the 2012\_ Second Lien Bonds shall cease to be such officer before the delivery of such 2012\_ Second Lien Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, as if such officer had remained in office until delivery.

Section 2.03. Authentication. No 2012\_ Second Lien Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Seventh Supplemental Indenture unless and until such certificate of authentication in substantially the form attached to this Indenture as part of Exhibit A shall have been duly executed by the Trustee, and such executed certificate of the Trustee, upon any such 2012\_ Second Lien Bond shall be conclusive evidence that such 2012\_ Second Lien Bond has been authenticated and delivered under this Seventh Supplemental Indenture. The Trustee's certificate of authentication on any 2012\_ Second Lien Bond shall be deemed to have been executed by it if (i) signed by an authorized signatory of the Trustee, but it shall not be necessary that the same signatory sign the certificates of authentication on all of the 2012\_ Second Lien Bonds issued under this Seventh Supplemental Indenture and (ii) the date of authentication on the 2012\_ Second Lien Bond is inserted in the place provided for such date in the certificate of authentication.

Section 2.04. Form of 2012\_ Second Lien Bonds; Temporary 2012\_ Second Lien Bonds. The 2012\_ Second Lien Bonds issued under this Seventh Supplemental Indenture shall be substantially in the form attached to this Indenture as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by this Seventh Supplemental Indenture.

Pending preparation of definitive 2012\_ Second Lien Bonds, or by agreement with the purchasers of the 2012\_ Second Lien Bonds, the City may issue and, upon its request, the Trustee shall authenticate, in lieu of definitive 2012\_ Second Lien Bonds, one or more temporary printed or typewritten Bonds in Authorized Denominations of substantially the tenor recited above. Upon request of the City, the Trustee shall authenticate definitive 2012\_ Second Lien Bonds in exchange for and upon surrender of an equal principal amount of temporary 2012\_ Second Lien Bonds. Until so exchanged, temporary 2012\_ Second Lien Bonds shall have the same rights, remedies and security under this Seventh Supplemental Indenture as definitive 2012 Second Lien Bonds.

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Section 2.05. Delivery of 2012\_ Second Lien Bonds. Upon the execution and delivery of this Seventh Supplemental Indenture, the City shall execute and deliver to the Trustee, and the Trustee shall authenticate, the 2012\_ Second Lien Bonds and deliver them to the purchasers as may be directed by the City as provided in this Section.

Prior to the delivery by the Trustee of any of the 2012\_ Second Lien Bonds there shall be filed with the Trustee: .....

a) a copy, duly certified by the City Clerk or Deputy City Clerk of the City, of the Series 2012 Bond Ordinance;

b) original executed counterparts of the Indenture and this Seventh Supplemental Indenture;

c) a Counsel's Opinion or Opinions to the effect that, (i) the City had the right and power to adopt the Series 2012 Bond Ordinance; (ii) the Series 2012 Bond Ordinance has been duly and (lawfully adopted, by the City Council, is in full force and effect and is valid and binding upon the City and enforceable in accordance with its terms (except as limited by any applicable bankruptcy liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event equitable remedies are sought); (iii) the Indenture and this Seventh Supplemental Indenture have been duly and lawfully authorized by all necessary action on the part of the City, have been duly and lawfully executed by authorized officers of the City, are in full force and effect and are valid and binding upon the City and enforceable in accordance with their terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event equitable remedies are sought); (iv) the Series 2012 Bond Ordinance, the Indenture and this Seventh Supplemental Indenture create the valid pledge of the Trust Estate, including Second Lien Bond Revenues and moneys and securities" held in the Second Lien Bonds Account under the Series 2012 Bond Ordinance, the Indenture and this Seventh Supplemental Indenture for the benefit and security of the 2012\_ Second Lien Bonds; subject to application of such moneys and securities in the manner provided in the Indenture and this Seventh Supplemental Indenture; (v) upon the execution, authentication and delivery of the Indenture and this Seventh Supplemental Indenture, the 2012\_ Second Lien Bonds will have been, duly and validly authorized and issued in Accordance with the Constitution and laws of the State, the Series 2012 Bond Ordinance, the Indenture and this Seventh Supplemental Indenture and (vi) any required approval for the issuance of the 2012\_ Second Lien Bonds has been obtained;

d) a written order as to the delivery of the 2012\_ Second Lien Bonds, signed by the Chief Financial Officer and stating (1) the identity of the purchasers, the aggregate purchase price and the date and place of delivery; and (ii) that no Event of Default has occurred and is continuing under the Indenture or this Seventh Supplemental Indenture; and

e) a Certificate of the Chief Financial Officer stating that the conditions of Section 2.06 of the Indenture have been met.

Section 2.06. Mutilated, Lost, Stolen or Destroyed 2012\_ Second Lien Bonds. In the event any 2012\_ Second Lien Bond is mutilated, lost/stolen or destroyed, the City may execute and the Trustee may authenticate a new 2012\_ Second Lien Bond of like date, maturity, interest rate and denomination as the 2012\_ Second Lien Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated 2012\_ Second Lien Bond, such mutilated 2012\_ Second Lien Bond shall first be surrendered to the Trustee, and in the case of

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any lost, stolen or destroyed 2012\_ Second Lien Bond, there shall be first furnished to the City and the Trustee evidence of such loss, theft or destruction satisfactory to the City and the Trustee, together with indemnity satisfactory to them. In the event any such 2012 Second Lien Bond has matured, instead of issuing a substitute 2012\_ Second Lien Bond the City may pay the same without surrender such 2012 Second Lien Bond. The City and the Trustee may charge the Registered Owner of such 2012\_ Second Lien Bond with their reasonable fees and expenses in this connection. All 2012\_ Second Lien Bonds so surrendered to the Trustee shall be canceled and destroyed, and evidence of such destruction shall be given to the City. Upon the date of final maturity or redemption of all of the 2012\_ Second Lien Bonds, the Trustee shall destroy any inventory of unissued certificates.

All duplicate 2012\_ Second Lien Bonds issued and authenticated pursuant to this Section shall constitute original, contractual obligations of the City (whether or not, in the case of the first paragraph of this Section, lost, stolen or destroyed 2012\_ Second Lien Bonds be at any time found by anyone), and shall be entitled to equal and proportionate rights and benefits under this Seventh Supplemental Indenture as all other Outstanding 2012\_ Second Lien Bonds issued under this Seventh Supplemental Indenture.

■ All 2012\_ Second Lien Bonds shall be owned upon the express condition that the foregoing provisions, to the extent permitted by law, are exclusive with respect to the replacement or payment of mutilated, destroyed, lost, stolen or purchased 2012\_ second Lien Bonds, and shall preclude any and all other rights or remedies.

Section 2.07. Transfer and Exchange of 2012\_ Second Lien Bonds; Persons Treated as Owners, (a) Subject to the limitations contained in subsection (c) of this Section, upon surrender for registration of transfer of any 2012\_ Second Lien Bond at the principal corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing, the City shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees a new 2012\_ Second Lien Bond or Bonds of like date and tenor in Authorized Denominations of the same Maturity Date and interest rate for the aggregate principal amount which the Registered Owner is entitled to receive bearing numbers not contemporaneously Outstanding. Subject to the limitations contained in subsection (C) of this Section, 2012\_ Second Lien Bonds may be exchanged at such times at such designated corporate trust office of the Trustee upon surrender of such 2012\_ Second Lien Bond together with an assignment duly executed by the Registered Owner of such 2012\_ Second Lien Bonds "or such Registered owner's attorney" in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of 2012\_ Second Lien Bonds of like date and tenor of any Authorized Denomination as the 2012\_ Second Lien Bonds surrendered for exchange bearing numbers not contemporaneously Outstanding. The execution by the City of any 2012\_ Second Lien Bond of any Authorized Denomination shall constitute full and due authorization of such Authorized Denomination, and the Trustee shall thereby be authorized to authenticate and deliver such registered 2012\_ Second Lien Bond.

(b) A service charge shall be imposed upon the Registered Owners for any exchange or transfer of 2012\_ Second Lien Bonds. The City and the Trustee may, however, require payment by the person requesting an exchange or transfer of 2012\_ Second Lien Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation to such exchange or transfer, except in the case of the issuance of one or more 2012\_

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Second Lien Bonds for the unredeemed portion of a 2012\_ Second Lien Bond surrendered for redemption in part.

c) The Trustee shall not be required to transfer or exchange any 2012\_ Second Lien Bond during the period commencing on the Record Date next preceding any Interest Payment Date of any 2012\_ Second Lien Bond and ending on such Interest Payment Date, or to transfer or exchange such 2012\_ Second Lien Bond after the mailing of notice calling such 2012\_ Second Lien Bond for redemption has been made as provided in this Seventh Supplemental Indenture or during the period of 15 days next preceding the giving of notice of redemption of 2012\_ Second Lien Bonds of the same Maturity Date and interest rate.

d) 2012\_ Second Lien Bonds delivered upon any registration of transfer or exchange as provided in this Section 2.07 or as provided in Section 2.08 hereof shall be valid limited obligations of the City, evidencing the same debt as the 2012\_ Second Lien Bonds surrendered, shall be secured by the Indenture and shall be entitled to all of the security and benefits of this Seventh Supplemental Indenture to the same extent as the 2012\_ Second Lien Bond surrendered.

e) The City, the Trustee and any Paying Agent may treat the Registered Owner of any 2012\_ Second Lien Bond as the absolute owner of such 2012\_ Second Lien Bond for all purposes, whether or not such 2012\_ Second Lien Bond shall be overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of, premium, if any, and interest on any such 2012\_ Second

Lien Bond as provided in this Seventh Supplemental Indenture shall be made only to or upon the written order of the Registered Owner of such 2012\_ Second Lien Bond or such Registered Owner's legal representative, but such registration may be changed as provided in this Seventh Supplemental Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such 2012\_ Second Lien Bond to the extent of the sum or sums so paid.

Section 2.08. Cancellation. Any 2012\_ Second Lien Bond surrendered for the purpose of payment or retirement, or for exchange, transfer or replacement, shall be canceled upon surrender of such 2012\_ Second Lien Bond to the Trustee or any Paying Agent. If the City shall acquire any of the 2012\_ Second Lien Bonds; the City shall deliver such 2012\_ Second Lien Bonds to the Trustee for Cancellation and the Trustee shall cancel the same. Any such 2012\_ Second Lien Bonds canceled, by any Paying Agent other than the Trustee shall be promptly transmitted by such Paying Agent to the Trustee. Certification of 2012\_ Second Lien Bonds canceled by the Trustee and 2012 Second Lien Bonds canceled by a Paying Agent other than the Trustee which are transmitted to the Trustee shall be made to the City. Canceled 2012\_ Second Lien Bonds may be destroyed by the Trustee unless instructions to the contrary are received from the City. Upon the date of final maturity or redemption of all 2012\_ Second Lien Bonds, the Trustee shall destroy any inventory of unissued certificates.

Section 2.09. Book-Entry Provisions. The provisions of this Section shall apply as long as the 2012\_ Second Lien Bonds are maintained in book-entry form with DTC or another Securities Depository, any provisions of this Seventh Supplemental Indenture to the contrary notwithstanding;

(a) The 2012 Second Lien Bonds shall be payable to the Securities Depository, or its nominee, as the Registered Owner of the 2012\_ Second Lien Bonds, in same day funds on each date on which the principal of, premium, if any, and interest on the 2012\_ Second Lien Bonds is due as set forth in this Seventh Supplemental Indenture and the 2012

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Secorid Lien Bonds. Such payments shall be made to the offices of the Securities Depository specified by the Securities Depository to the City and the Trustee in writing. Without notice to or the consent of the beneficial owners of the 2012\_ Second Lien Bonds, the City and the Securities Depository may agree in writing to make payments of principal and interest in a manner different from that set forth herein. If such different manner of payment is agreed upon, the City shall give the Trustee written notice thereof, and the Trustee shall make payments with respect to the 2012\_ Second Lien Bonds in the manner specified in such notice as set forth herein. Neither the City nor the Trustee shall have any obligation with respect to the transfer or crediting of the principal of, premium, if any, and interest on the 2012\_ Second Lien Bonds to Participants or the beneficial owners of the 2012\_ Second Lien Bonds or their nominees.

b) The Registered Owners of the 2012\_ Second Lien Bonds have no right to the appointment or retention of a Securities Depository for the 2012\_ Second Lien Bonds. If (i) the City determines, or (ii) the City receives notice that the Securities Depository has received notice from its Participants having interests in at least 50 percent in principal amount of the 2012\_ Second Lien Bonds that the Securities Depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the beneficial owners that they obtain certificated 2012\_ Second Lien Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver 2012\_ Second Lien Bond certificates. The City shall have no Obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in this paragraph.

c) If, following a determination or event specified in paragraph (b) above, the City discontinues the maintenance of the 2012\_ Second Lien Bonds in book-entry form with the then current Securities Depository, the City will issue replacement 2012\_ Second Lien Bonds to the replacement Securities Depository, if any, or, if no replacement Securities Depository is selected for the 2012\_ Second Lien Bonds,

directly to the Participants as shown on the records of the former Securities Depository or, to the extent requested by any Participant, to the beneficial owners of the 2012\_ Second Lien Bonds shown on the records of such Participant. Replacement 2012\_ Second Lien Bonds shall be in fully registered form and in Authorized Denominations, be payable as to interest on the Interest Payment Dates of the 2012\_ Second Lien Bonds by check mailed to each Registered Owner at the address of such Registered Owner as it appears On the Bond Register or, at the option of any Registered Owner of not less than "\$-1,000,000 principal amount of 2012\_ Second Lien Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Registered Owner as of such Record Date, if such Registered Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement 2012\_ Second Lien Bonds are payable only upon presentation and surrender of such replacement 2012\_ Second Lien Bond or Bonds at the principal corporate trust office of the Trustee.

d) The Securities Depository and its Participants, and the beneficial owners of the 2012 Second Lien Bonds, by their acceptance of the 2012\_ Second Lien Bonds, agree that the City and the Trustee shall not have liability for the failure of such Securities Depository to perform its obligations to the Participants and the beneficial owners of the 2012\_ Second Lien Bonds, nor shall the City or the Trustee be liable for the failure of any Participant or other nominee of the beneficial owners to perform any obligation of the Participant to a beneficial owner of the 2012 Second Lien Bonds.

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e) As long as Cede & Co. is the Registered Owner of the 2012\_ Second Lien Bonds,, as nominee of DTC, references herein to the Registered Owners of the 2012\_ Second Lien Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the 2012\_ Second Lien Bonds.

f) As long as Cede & Co. is the Registered Owner of the 2012\_ Second Lien Bonds:

1) selection of 2012\_ Second Lien Bonds to be redeemed upon partial redemption or presentation of 2012\_ Second Lien Bonds to the Trustee upon partial redemption shall be deemed made when the right to exercise ownership rights in such 2012 Second Lien Bonds through DTC or DTC's Participants is transferred by DTC on its books;

2) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Registered Owners under this Seventh Supplemental Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the 2012\_ Second Lien Bonds through DTC or its Participants.

## ARTICLE III

### REDEMPTION OF 2012\_ SECOND LIEN BONDS

*[Provisions relating to redemption of Taxable Bonds (including Federal Compliant Obligations), such as "Make-Whole" or "Extraordinary Optional" Redemption provisions and provisions relating to selection of Bonds to be refunded in the case of partial redemption shall be added here if Taxable Bonds are issued]*

Section 3.01. Optional Redemption.. The 2012\_ Second Lien Bonds maturing on or after November 1, 20\_ are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after November 1, 20\_ , and if in part, in such order of maturity as the City shall determine and within any maturity by lot, at a Redemption Price equal to the

amounts set forth in the table below, together with accrued interest to the date fixed for redemption:

Redemption Redemption Date Price

### Section 3.02. Mandatory Redemption.

(a) The 2012\_ Second Lien Bonds maturing on November 1, 20 •, and November 1, 20 (the "2012\_ Term Bonds"), are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price of 100 percent of the principal amount of such 2012\_ Second Lien Bonds to be so redeemed, on November 1 of the years and in the amounts shown below, plus accrued interest to the redemption date, as set forth below:

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Series 2012\_ Second Lien Bonds Due November 1, 20

Principal Year Amount

Series 2012\_ Second Lien Bonds Due November 1, 20

Principal Year Amount

(b) In lieu of redeeming the 2012\_ Term Bonds pursuant to the mandatory sinking fund redemption provisions described above, on or before the 60th day next preceding any mandatory sinking fund redemption date for the 2012\_ Term Bonds, the Trustee may, at the written direction of the Chief Financial Officer, use such funds available under the Indenture to purchase 2012\_ Term Bonds in the open market at a price not exceeding par plus accrued interest.

On or before the 60th day next preceding any mandatory sinking fund redemption date for the 2012\_ Term Bonds (or such shorter period as may be acceptable to the Trustee), the .City may, at its option, (i) deliver to the Trustee for cancellation, 2012\_ Term Bonds or portions thereof in Authorized Denominations subject to mandatory sinking fund redemption or (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for 2012\_ Term Bonds or portions thereof in Authorized Denominations which prior to said date have been redeemed (otherwise than through the operation of such mandatory sinking fund redemption) and canceled by the Trustee and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each such 2012\_ Term Bond Or portion thereof subject to mandatory sinking fund redemption so delivered or previously redeemed will be Credited against future mandatory sinking fund redemption obligations On 2012\_ Term Bonds in such order as the City designates, or if no such designation is made, in chronological order, the principal amount of such 2012\_ Term Bonds to be redeemed by operation of such mandatory redemption to be accordingly reduced.

### Section 3.03. Redemption Terms; Notice of Redemption.

a) 2012\_ Second Lien Bonds may be called for redemption by the Trustee pursuant to Section 3.01 hereof upon receipt by the Trustee at least 45 days prior to the redemption date (or such shorter period as shall be acceptable to the Trustee) of a written request of the City requesting such redemption. 2012\_ Second Lien Bonds shall be called for redemption by the Trustee pursuant to Section 3.02 hereof



without further request or direction from the City or any other party.

b) Unless waived by any owner of Bonds to be redeemed, notice of the call for any optional or mandatory redemption pursuant to Section 3.01 or 3.02 hereof shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 45 days prior to the date fixed for redemption to the Registered Owner of the 2012\_ Second Lien 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 Trustee, but the failure to mail any such notice or any defect therein as to any 2012\_ Second Lien Bond shall not affect the validity of the proceedings for the redemption of any other 2012\_ Second Lien Bond. Any notice of redemption mailed as provided in this Section shall be conclusively presumed to have been given whether or not actually received by the addressee.

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c) All notices of redemption shall specify, at a minimum: (i) the series name and designation and certificate numbers of 2012\_ Second Lien Bonds being redeemed, (ii) the CUSIP numbers of the 2012\_ Second Lien Bonds being redeemed, (iii) the principal amount of 2012\_ Second Lien Bonds being redeemed and the redeemed amount for each certificate (for partial calls), (iv) the redemption date, (v) the redemption price, (vi) the Date of Issuance of the 2012\_ Second Lien Bonds being redeemed, (vii) the interest rate and maturity date of the 2012\_ Second Lien Bonds being redeemed, (viii) the date of mailing of notices to Registered Owners and information services (if required), and (ix) the name of the employee of the Trustee which may be contacted with regard to such notice. With respect to an optional redemption of any 2012\_ Second Lien Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the redemption price of the 2012\_ Second Lien Bonds being redeemed. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such 2012\_ Second Lien Bonds and the Trustee 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 2012\_ Second Lien Bonds will not be redeemed. Unless the notice of redemption shall be made conditional as provided above, on or prior to any redemption date for a series of 2012\_ Second Lien Bonds, the City shall deposit with the Trustee an amount of money sufficient to pay the redemption price of all 2012\_ Second Lien Bonds or portions thereof which are to be redeemed on that date.

d) Notice of redemption having been given as aforesaid, the 2012\_ Second Lien Bonds, or portions thereof, so to be redeemed shall, on the redemption date (unless the redemption has been canceled as described in Section 3.03(c) hereof), become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such 2012\_ Second Lien Bonds, or portions thereof, shall cease to bear interest. Upon surrender of such 2012\_ Second Lien Bonds for redemption in accordance with said notice, such 2012\_ Second Lien Bonds shall be paid by the Trustee 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 (i) of any 2012\_ Second Lien Bond, there shall be prepared for the Registered Owner a new 2012\_ Second Lien Bond or Bonds of the same interest rate and maturity in the amount of the unpaid principal. If any 2012\_ Second Lien Bond, or portion thereof, 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 such Bond, or portion thereof, so called for redemption.

Section 3.04. Selection of 2012\_ Second Lien Bonds for Redemption. In the event of the redemption of fewer than all the 2012\_ Second Lien Bonds of the same maturity, the aggregate principal amount thereof to be redeemed shall be in an Authorized Denomination, and the Trustee shall assign to each 2012\_ Second Lien Bond of such maturity a distinctive number for each minimum Authorized Denomination of such Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination for each number, shall equal the principal amount of such 2012\_ Second Lien Bonds to be redeemed. The 2012 Second Lien Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each 2012\_ Second Lien Bond shall be redeemed as shall equal such minimum Authorized Denomination for

each number assigned to it and so selected. For purposes of any redemption of fewer than all of the outstanding 2012\_ Second Lien Bonds of a single maturity, the particular 2012\_ Second Lien Bonds or portions thereof to be redeemed shall be selected not more than 60 days prior to the redemption date by the Trustee.

## REPORTS OF COMMITTEES

# ARTICLE IV

## REVENUES AND FUNDS

Section 4.01. Source of Payment of 2012\_ Second Lien Bonds. The 2012\_ Second Lien Bonds, the Section 2.08 Obligations and the Section 2.09 Obligations are not general obligations of the City but are limited obligations as described in Section 2.02 hereof and as provided in this Seventh Supplemental Indenture and in the Indenture.

Section 4.02. Creation of Accounts and Subaccounts in Second Lien Revenue Fund, (a) There is by this Seventh Supplemental Indenture created by the City and ordered established with the Trustee a separate and segregated sub-fund within the Second Lien Revenue Fund, such sub-fund to be designated the "Series 2012\_ Second Lien Water Revenue Bond Dedicated Subaccount" (the "Series 2012\_ Dedicated Subaccount"). Moneys on deposit in the Series 2012\_ Dedicated Subaccount, and in each Account established in it as provided below, shall be held in trust by the Trustee for the sole and exclusive benefit of the Registered Owners of the 2012\_ Second Lien Bonds.

■(b)" There are by this Seventh Supplemental Indenture created by the City and ordered" established with the Trustee separate Accounts within the Series 2012^ Dedicated Subaccount, designated as follows:

1) *Costs of Issuance Account: an Account to be designated the "2012\_ Second Lien Bonds, Costs of Issuance Account" (the "Costs of Issuance Account");*

2) Program Fee Account: an Account to be designated the "2012\_ Second Lien. Bonds, Program Fee Account" (the "Program Fee Account"); and

(3) Principal and Interest Account: an Account to be designated the "2012^  
-Second Lien Bonds, Principal and Interest Account" (the "Principal and Interest  
Account'). ■ ■ ■

Section 4.03. Application of ,2012\_ Second Lien Bond Proceeds. The proceeds received by the City from the sale of the 2012\_ Second Lien Bonds in the amount of \$ (consisting of the aggregate principal amount of the 2012\_ Second Lien Bonds, plus original issue premium of \$ - and less the Underwriters" discount of (\$\_\_\_\_\_), shall be applied as follows:

(i) [The Trustee shall, immediately upon receipt, send to the Bond Insurer,  
by wire transfer pursuant to instructions received from the Bond Insurer, the amount of  
\$ in full payment of the premium for the Bond Insurance Policy;]

(ii) Costs of Issuance Account: the Trustee shall deposit into the Costs of Issuance Account the amount of \$ and shall apply such amount to payment of Costs of Issuance of the 2012\_ Second Lien Bonds, as provided in Section 4.06 hereof;

(iii) The Trustee, shall, immediately upon receipt, send to the Series 2004 Commercial Paper Notes Issuing and Paying Agent the amount of \$ for deposit into the Series 2004 Commercial Paper Notes Bank Payment Account with instructions to apply such funds as follows: (a) \$ shall be applied the Series 2004 Commercial Paper Notes Issuing and Paying Agent on the Date of Issuance to

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reimburse the Series 2004 Commercial Paper Notes Bank for moneys drawn under the Series 2004 Commercial Paper Notes Letter of Credit to pay the-principal of and interest on the Series 20 - Notes becoming due for payment on, the Date of Issuance and

(b) \$ shall be held solely and only for, and applied to, the reimbursement of the Series 2004 Commercial Paper Notes Bank for moneys drawn under the Series 2004 •Commercial Paper Notes Letter of Credit for the payment in full of the principal of and interest on the Series 20 - Notes becoming due for payment on ^ , 201 \_.

(iv) 2012\_ Refunding Escrow Account: proceeds of the Bonds in the amount of \$ shall be deposited in the 2012\_ Refunding Escrow Account to be held by the 2012\_ Refunding Escrow Agent pursuant to the 2012\_ Refunding Escrow Agreement for the purpose of refunding the Refunded Senior Lien Bonds;

(v) 2012\_ Second Lien Escrow Account: proceeds of the Bonds in the amount- of \$ shall be deposited in the 2012\_ Second Lien Escrow Account to be held by the Trustee pursuant to the 2012\_ Refunding Second Escrow Agreement for the purpose of refunding the Refunded Second Lien Bonds and the Refunded Subordinate Lien Obligations; and

(vi) Construction Account: 2012\_ Second Lien Water Revenue Bonds: the balance of the proceeds of the 2012\_ Second Lien Bonds in the amount \$ shall be deposited by the . City in the 2012\_ Construction Account r held pursuant to the Depository Agreement for application pursuant to Section 4.07.

**Section 4.04. Deposits into Series 2012\_ Dedicated Subaccount, and**  
Accounts. On May 1 and November 1 of each year, commencing L 1, 2012 (each such date referred to in this Seventh Supplemental Indenture as the "Deposit Date"), there shall be deposited into the Series-2012\_ Dedicated Subaccount from amounts oil deposit in the 2012\_ Second Lieri Project and Refunding Bonds Subaccount of the Second Lien Bonds Account an amount equal to the aggregate of the following amounts, which amounts shall have been calculated by the Trustee and certified by the Chief Financial Officer and transferred by the City to the Trustee in accordance with Section 4.03(d) of Part B of the Series 2012 Bond Ordinance on or before the Business Day next preceding each such May 1 or November 1, respectively (such aggregate amount with respect to any Deposit Date being referred to in this Seventh Supplemental indenture as the "Series 2012\_ Deposit Requirement"):

a) for deposit into the Principal and Interest Account, an amount equal to the Principal and Interest Account Requirement; and

b) for deposit into the Program Fee Account, the amount estimated by the City to be required as of the close of business on the related Deposit Date, to pay all Program Fees payable from amounts in the Program Fee Account during the semiannual period commencing on such related Deposit Date arid, in the case of the initial Deposit Date, any Program Fees payable from the Date of Issuance to, but not including, such initial Deposit Date.

In addition to the Series 2012\_ Deposit Requirement, there shall be deposited into the Series 2012\_ Dedicated Subaccount any other moneys received by the Trustee under and pursuant to the Indenture or this Seventh Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2012\_ Dedicated Subaccount or to one or more accounts in that Subaccount.

## REPORTS OF COMMITTEES

Upon calculation by the Trustee of each Series 2012\_ Deposit Requirement under this Section, the Trustee shall notify the City of the Series 2012\_ Deposit Requirement and the Deposit Date to which it relates; and shall provide the City with such supporting documentation and calculations as the City may reasonably request:

Section 4.05. Use of Moneys in Principal and Interest Account. Moneys in the Principal and Interest Account shall be used solely for the payment of the principal of, premium, if any, and interest on the 2012\_ Second Lien Bonds, for the redemption of the 2012\_ Second Lien Bonds prior to their respective Maturity Dates and for the payment of Section 2.08 Obligations and Section 2.09 Obligations. Funds for payment of principal of, premium, if any, and interest due on each Payment Date with respect to the 2012\_ Second Lien Bonds (including the optional redemption of 2012\_ Second Lien Bands pursuant to Section 3.01 hereof and not otherwise provided for; and with respect to Section 2.08 Obligations and Section 2.09 Obligations), shall be derived from moneys held in the Principal and Interest Account, ratably, without preference or priority of any kind, except that termination and other non-scheduled payments with respect Section 2.09 Obligations shall be paid on a subordinate basis.

Section 4.06. Use of Moneys in Costs of Issuance Account and Program

Fee Account! Moneys deposited into the Costs of Issuance Account pursuant to

Section 4.03(ii) shall be used solely for the payment of Costs of Issuance of the 2012\_ Second

Lien Bonds as directed in a certificate of the City filed with the Trustee. If after the earlier to

occur of (i) payment of all Costs of Issuance, as specified in a certificate of the City filed with the

Trustee or (ii) >• ■: . 2012, there shall be any balance remaining in the Costs of Issuance Account, such balance shall be transferred to the Program Fee Account. Moneys deposited into the Program Fee Account pursuant to Section 4.04(b) shall be used solely for the payment of Program Fees payable by the City to third parties with respect to the 2012\_ Second Lien Bonds as set forth in a certificate of the City filed with the Trustee.

Section 4.07. Use of Moneys in the 2012\_ Construction Account. Except as otherwise provided in the Series 2012 Bond Ordinance and this Seventh Supplemental Indenture, moneys on deposit in the Series 2012\_ Construction Account shall be disbursed and applied to pay, or to reimburse the payment of, Project Costs related to the Series 2012\_ Current Projects: ""

Section 4.08. Tax Covenants. The City covenants to take any action required

by the provisions, of the Code and within its power to take in order to preserve the exclusion of

interest on the 2012\_ Second Lien Bonds from gross income for federal income tax purposes,

including, but not limited to, the provisions of Section 148 of the Code relating to "arbitrage

bonds" ■

" - "

The City further covenants to comply with the provisions of the Tax Regulatory Agreement of the City relating to the 2012\_ Second Lien Bonds, including, but not limited to, those provisions, relating to the status of the 2012\_ Second Lien Bonds as "private activity bonds" under Section 141 of the Code.

*[Insert special tax covenants required in connection with the issuance of 2012 Second Lien Bonds as Federal Compliant Obligations as provided in the Series 2012 Bond Ordinance.]*

Section 4.09. Non-presentment of Bonds. In the event any 2012\_ Second Lien Bond shall not be presented for payment when the principal of such 2012\_ Second Lien

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Bond becomes due, whether at maturity, at the date fixed for redemption or otherwise, if moneys sufficient to pay such 2012\_ Second Lien Bond shall have been made available to the Trustee for the benefit of the Registered Owner of such 2012\_ Second Lien Bond, subject to the provisions of the immediately following paragraph, all liability of the City to the Registered Owner of such 2012\_ Second Lien Bond for the payment of such 2012\_ Second Lien Bond shall immediately cease; determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys; without for interest on such monies; for the benefit of the Registered Owner of such 2012\_ Second Lien Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Indenture or on, or with respect to, such 2012\_ Second Lien Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of 2012\_ Second Lien Bonds within two years after the date on which the same shall have become due shall be repaid by the Trustee to the City upon the City's written request, and thereafter the Registered Owners of such 2012\_ Second Lien Bonds shall be entitled to look only to the City for Payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such moneys shall thereupon cease, and the City shall not be liable for any interest on such monies and shall not be regarded as a trustee of such moneys. The obligation of the Trustee under this Section to pay any such funds to the City shall be subject, however, to any provisions of law applicable to the Trustee or to such funds providing other requirements for disposition of unclaimed property.

Section 4i10. Moneys Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account referred to in any provision of this Seventh Supplemental Indenture shall be held by the Trustee in trust as provided in Section 8,03 of the Indenture, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created by this Seventh Supplemental Indenture.

## ARTICLE V

### INVESTMENT OF MONEYS

Section 5.01. Investment of Moneys. Moneys held in the funds, accounts and subaccounts established under this Seventh Supplemental Indenture, including moneys held for payment of 2012\_ Second Lien Bonds not presented for payment as described in Section 4.10 hereof, shall be invested and reinvested in Permitted Investments in accordance with the provisions governing investments contained in the Indenture; provided, however, that moneys in the Principal and Interest Account representing principal of or interest on the 2012\_ Second Lien Bonds shall only be invested in Governmental Obligations scheduled to mature on the earlier of (i) (A) 30 days from the date of investment (in the case of amounts representing principal of the 2012\_ Second Lien Bonds) or (B) six months from the date of investment (in the case of amounts representing interest payable on the 2012\_ Second Lien Bonds) or (ii) the date upon which such moneys will be required to

be used in accordance with this Seventh Supplemental Indenture. All such investments shall be held by or under the control of the Trustee and shall be deemed at all times part of the fund, account or subaccount for which they were made.

## REPORTS OF COMMITTEES

### ARTICLE VI

#### DISCHARGE OF LIEN

Section 6.01. Defeasance. If the City shall pay to the Registered Owners of the 2012\_ Second Lien Bonds, or provide for the payment of, the principal, premium, if any, and interest to become due on the 2012\_ Second Lien Bonds, then this Seventh Supplemental Indenture shall be fully discharged and satisfied upon the satisfaction and discharge of this Seventh Supplemental Indenture, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries shall pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to this Seventh Supplemental Indenture which are not required for the payment or redemption of the 2012\_ Second Lien Bonds.

If the City shall pay and discharge a portion of the 2012\_ Second Lien Bonds as provided above, such portion shall cease to be entitled to any lien, benefit or security under the Indenture. The liability of the City with respect to such 2012\_ Second Lien Bonds shall continue, but the Registered Owners of the 2012\_ Second Lien Bonds shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the moneys or Governmental Obligations described in clause (a) of the definition of such term deposited with the Trustee under Article IX of the Indenture.

The provisions of this Section 6.01 are subject in all respects to: the provisions of Sections 9.01 and 9.02 of the Indenture.

### ARTICLE VII REMEDIES

The provisions of Article VII of the Indenture shall be applicable to any Event of Default which shall have occurred and be continuing under this > Seventh Supplemental Indenture. v

- Under no circumstance may the Trustee declare the principal of or interest on the 2012\_ Second Lien Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default Under the Indenture or this Seventh Supplemental Indenture.

### ARTICLE VIII

#### TRUSTEE AND PAYING AGENT

Section 8.01. Acceptance of Trusts.

(a) The Trustee accepts the trusts imposed upon it by this Seventh Supplemental Indenture, and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth in this Seventh Supplemental Indenture and in the Indenture. Except as otherwise expressly set forth in this Seventh Supplemental Indenture, the Trustee assumes no duties, responsibilities or liabilities by reason of its execution of this Seventh Supplemental Indenture other than as set forth in the Indenture and this Seventh Supplemental Indenture, and this Seventh Supplemental Indenture is executed and accepted by the Trustee

subject to all the terms and conditions of its acceptance of the trust under the

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Indenture, as fully as if said terms and conditions were set forth at length in this Seventh Supplemental Indenture. Notwithstanding the provisions of Section 8.04 or 8.05 of the indenture, the Trustee shall have no lien or security interest in and to amounts in the Principal and Interest Account for the purpose of paying the fees or expenses of the Trustee or any Paying Agent. Notwithstanding any provision of the Indenture to the contrary, the Trustee may not resign or be removed until a successor Trustee shall have been appointed as provided in the Master Indenture. ....

(b) The Trustee may appoint a Trustee's Agent with power to act on its behalf and subject to its direction in the authentication, registration and delivery of 2012\_ Second Lien Bonds in connection with transfers and exchanges hereunder, as fully to all intents and purposes as though such Trustee's Agent had been expressly authorized by this Seventh Supplemental Indenture to authenticate, register and deliver 2012\_ Second Lien Bonds. The foregoing notwithstanding, the Trustee need not appoint a Trustee's Agent for as long as the Trustee shall have an office in New York, New York capable of handling the duties of Trustee's Agent hereunder. Any Trustee's Agent appointed pursuant to this Section shall evidence its acceptance by a certificate filed with the Trustee and the City. For all purposes of this Seventh Supplemental Indenture, the authentication, registration and delivery of 2012\_ Second Lien Bonds by or any Trustee's Agent pursuant to this Section shall be deemed to be the authentication, registration and delivery of 2012\_ Second Lien Bonds "by or to the Trustee." Such Trustee's Agent shall at all times be a commercial bank having an Office in New York, New York, and shall at all times be a corporation organized and doing business under the laws of the United States or of any state with combined capital and surplus of at least \$15,000,000 and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any Trustee's Agent appointed hereunder shall also be a Paying Agent for purposes of this Seventh Supplemental Indenture

Section 8.02. Dealing in 2012\_ Second Lien Bonds. The Trustee, in its individual capacity, may buy, sell, own, hold and deal in any of the 2012\_ Second Lien Bonds, and may join in any action which the Registered Owner of any 2012\_ Second Lien Bond may be entitled to take with like effect as if it did not act in any capacity under this Seventh Supplemental Indenture. The Trustee or the Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City, and may act as depositary, trustee or agent for any committee or body of the Registered Owners of 2012 Second Lien Bonds secured by this Seventh Supplemental Indenture or other obligations of the City as freely as if it did not act in any capacity under this Seventh Supplemental Indenture.

#### Section 8.03. Paying Agent.

a) The Trustee is hereby appointed Paying Agent for the 2012\_ Second Lien Bonds. The City may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in subsection (c) below for a successor Paying Agent.

b) The trustee hereby accepts the duties and obligations imposed upon it as Paying Agent by this Seventh Supplemental Indenture. Each other Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Seventh

#### REPORTS OF COMMITTEES

Supplemental Indenture by executing and delivering to the City and to the Trustee a written acceptance thereof.

(c) Any Paying Agent may at any time resign and be discharged of the duties and obligations imposed upon it by this Seventh Supplemental Indenture by giving at least 60 days' written notice to the City and the Trustee, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed as provided herein. Any Paying Agent appointed by the City may be removed at any time by an instrument signed by the Chief Financial Officer and filed with such Paying Agent and the Trustee. The Trustee may at any time terminate the agency of any Paying Agent appointed by it by giving written notice of such termination to such Paying Agent and the City. Upon receiving such a notice of resignation or upon, such a termination, or in case at any time such Paying Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Paying Agent shall give written notice of such appointment to the City and shall mail notice of Such appointment to all Owners of 2012\_ Second Lien Bonds. Any successor Paying Agent shall be appointed by the City and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association; having capital stock and surplus aggregating at least \$15,000,000, or shall be a wholly-bwried subsidiary of such an entity, Willing and able to accept the office On reasonable and customary terms'and authorized by law to perform all the duties imposed upon it by this Seventh

'■■='■ (d) In the event of the resignation or removal of any Paying Agent, such Paying Agent Shalt pay over; assign and deliver any moneys, held by it as Paying Agent to its successor, or if there be no successor, to the Trustee and shall be subject to audit of all of its books, records and accounts with respect to the Bonds.

Section 8.04. Bond Insurer Requirements Regarding Trustee and Paying Agent. •

a) The Bond Insurer shall receive prior written notice of the resignation of the. Trustee or any Paying Agent.

b) Notwithstanding any other provision of this Seventh Supplemental Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuantto the terms and provisions of this Seventh Supplemental Indenture, the Trustee shall; corisider the effect on the Bondholders as if there were no Bond Insurance Policy. -

c) Notwithstanding any other provision of this Seventh Supplemental Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures. This Seventh Supplemental Indenture may be supplemented and amended in the manner set forth in Articles V and VI, respectively, of the Indenture.

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Additionally, this Seventh Supplemental Indenture may, without the consent of, or notice to, any of the Bondholders, be supplemented and amended, in such manner as shall not be inconsistent with the terms and provisions of this Seventh Supplemental Indenture or of the Indenture, for any one or more of the following purposes:

a) to provide for certificated 2012\_ Second Lien Bonds; and



b) to secure or maintain ratings from any Rating Agency in the highest long-term debt rating category of such Rating Agency which are available for the 2012\_ Second Lien Bonds, which changes will not restrict, limit or reduce the obligation of the City to pay the principal of, premium, if any, and interest on the 2012\_ Second Lien Bonds as provided in the Indenture or otherwise adversely affect the Registered Owners of the 2012\_ Second Lien Bonds under the Indenture.

Section 9.02. Consent of Bond Insurer Required. Any provision of this Seventh Supplemental Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

## ARTICLE X REGARDING BOND INSURANCE

[Bond Insurance Provisions]

## ARTICLE XI MISCELLANEOUS

Section 11.01. Seventh Supplemental Indenture as Part of Indenture. This Seventh Supplemental Indenture shall be construed in connection with, and as a part of, the Indenture, and all terms, conditions and covenants contained in the Indenture, except as provided in the Indenture or as modified in this Seventh Supplemental Indenture and except as restricted in the Indenture to Second Lien Bonds of another series, shall apply and be deemed to be for the equal benefit, security and protection of the Bondholders.

Section 11.02. Severability. If any provision of this Seventh Supplemental Indenture shall be held or deemed to be, or shall, in fact, be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions contained in this Seventh Supplemental Indenture or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 11.03. Payments Due on Saturdays, Sundays and Holidays. If the date for making any payment, or the last date for the performance of any act or the exercise of any right, as provided in this Seventh Supplemental Indenture, shall not be a Business Day, such payment may be made, act performed or right exercised on the next Business Day with the same force and effect as if done on the nominal date provided in this Seventh Supplemental Indenture, and no interest shall accrue for the period after such nominal date.

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Section 11.04. Counterparts. This Seventh Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.05. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed.

Section 11.06. Captions. The captions and headings in this Seventh Supplemental Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Seventh Supplemental Indenture.

IN WITNESS WHEREOF, City has caused these presents to be executed in its name and with its official seal affixed with this Seventh Supplemental Indenture and attested by its duly authorized officials; and to evidence its acceptance of the trusts created by this Seventh Supplemental Indenture, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal affixed with this Seventh Supplemental Indenture and attested by its duly authorized officers, as of the date first above written.

**CITY OF CHICAGO**

By:  
Chief Financial Officer

[SEAL] Attest:

City Clerk

**THE BANK OF NEW YORK MELLON TRUST COMPANY,  
N.A.,  
as Trustee**

Authorized Signatory

By:  
Authorized Signatory

(Sub)Exhibit "A" referred to in this Seventh Supplemental Indenture reads as follows:

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(Sub)Exhibit "A". (To Form Of Seventh Supplemental  
Indenture)

Form 2012 \_ Second Lien Bond. [Form of  
Face of Bond]

*Statement of Insurance [if any]*

United States of America State of

Illinois City of Chicago

Second Lien Water Revenue Bond, Series 2012

Number r- \$

Maturity Date

Original Issue Date CUSIP

November 1,

Registered Owner: Principal

Amount:

The City of Chicago (the "City"), a municipal corporation and home rule unit of local government duly organized and existing under the laws of the State of Illinois, for value received, hereby promises to pay (but only out of the sources provided below) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above upon presentation and surrender of this 2012\_ Second Lien Bond, the Principal Amount specified above, and to pay (but only out of the sources provided below) interest on the balance of said Principal Amount from time to time remaining unpaid from and including the original issue date specified above, or from and including the most recent Interest Payment Date (as defined in the Seventh Supplemental Indenture, as such term is defined below) with respect to which interest has been paid or duly provided for, until payment of said Principal Amount has been made or duly provided for.

*The 2012\_ Second Lien Bonds are limited obligations of the City and shall not constitute an indebtedness of the City or a loan of credit thereof within the meaning of any Constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois is pledged to the payment of the principal of the 2012\_ Second Lien Bonds, or the interest or any premium on the 2012\_ Second Lien Bonds. The 2012\_ Second Lien Bonds are payable solely from the Trust Estate (as defined in the Seventh Supplemental Indenture) pledged to such payment under the Indenture*

## REPORTS OF COMMITTEES

*and certain other monies held by or on behalf of the Trustee, and no Registered Owner or Owners of the 2012\_ Second Lien Bonds shall have the right to compel any exercise of the taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois.*

Reference is made to the further provisions of this 2012\_ Second Lien Bond set forth on the reverse side of this 2012\_ Second Lien Bond, and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is Certified, Recited and Declared that all acts and conditions required to be performed precedent to and in the execution and delivery of the Indenture and the issuance of this 2012\_ Second Lien Bond have been performed in due time, form and manner as required by law, and that the issuance of this 2012\_ Second Lien Bond and the series of which it forms a part does not exceed or violate any constitutional or statutory limitation.

This 2012\_ Second Lien Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed by the Trustee.

In Witness Whereof, the City of Chicago has caused this 2012\_ Second Lien Bond to be executed in its name by the manual or facsimile signature of its Mayor and the manual or facsimile of its corporate seal to be printed on this 2012\_ Second Lien Bond and attested by the manual or facsimile signature of its City Clerk.

City of Chicago

By:

Mayor

Attest:

City Clerk

[Seal]

**Certificate of Authentication.**

This 2012\_ Second Lien Bond is one of the 2012\_\_ Second Lien Bonds described in the within-mentioned Indenture.

**Authentication Date:**

The Bank of New York Mellon Trust  
Company, N.A., as Trustee

By:

Authorized Signatory

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[Form of Back of 2012\_ Second Lien Bond].

The principal of and premium, if any, on this 2012\_ Second Lien Bond shall be payable at the designated corporate trust office of the Trustee or upon presentation and surrender of this 2012 Second Lien Bond.

Interest on this 2012\_ Second Lien Bond shall be paid by check mailed on the Interest Payment Date to the person appearing on the Bond Register as the Registered Owner of this 2012 Second Lien Bond as of the close of business of the Trustee on the Record Date at the address of such Registered Owners as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner not later than the Record Date. Payment of interest on this 2012\_ Second Lien Bond shall be made to a Registered Owner of One Million Dollars (\$1,000,000) or more in aggregate principal amount of 2012\_ Second Lien Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States to which such Registered Owner wishes to have such wire directed; which written notice is received not later than the Business Day next preceding the Record Date.

Interest accrued on this 2012\_ Second Lien Bond shall be paid in arrears on each Interest

Payment Date. Interest on this 2012\_ Second Lien Bond shall be computed upon the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

General. This 2012\_ Second Lien Bond is one of an authorized series of bonds limited in aggregate principal amount to \$ \_\_\_\_\_ (the "2012\_ Second Lien Bonds") issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and an ordinance of the City Council of the City, and executed under a Master Indenture of Trust Securing Second Lien Water Revenue Bonds, dated as of December 15, 1999, as heretofore supplemented and as amended by Amendment Number 1 to Master Indenture, dated as of August 1, 2004 (the "Master Indenture"), and as supplemented by a Seventh Supplemental Indenture Securing Second Lien Water Revenue Bonds, Series 2012\_, dated as of \_\_\_\_\_, 2012 (the "Seventh Supplemental Indenture" and, together, with the Master Indenture, the "Indenture"), from the City to The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as successor trustee (the "Trustee"), for the purpose of (i) refunding Outstanding Senior Lien Bonds and Outstanding Second Lien Bonds, (ii) paying Project Costs, [including the refunding and retirement of certain outstanding Water System Commercial Paper Notes, 2004 Program, Series A of the City] and (iii) paying costs of issuance of the 2012\_ Second Lien Bonds.

The 2012\_ Second Lien Bonds and the interest on them are payable from Second Lien Bond Revenues (as defined in the Indenture) deposited into the Series 2012\_ Dedicated Subaccount and pledged to the payment of such 2012\_ Second Lien Bonds under the Indenture and certain other monies held by or on behalf of the Trustee and from any other monies held by the Trustee under the Indenture for such purpose.

#### REPORTS OF COMMITTEES

As provided in the Indenture, additional bonds may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Master Indenture. The aggregate principal amount of bonds that may be issued pursuant to the Indenture is not limited, except as provided in the Indenture and ordinances authorizing those additional bonds, and all bonds issued and to be issued pursuant to the Indenture, including the 2012\_ Second Lien Bonds, are and will be equally secured by the pledges and covenants made in the 2012\_ Second Lien Bonds, except as otherwise provided or permitted in the Master Indenture.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the 2012\_ Second Lien Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Registered Owners of the 2012\_ Second Lien Bonds and the limitations on such rights and remedies.

Optional Redemption. The 2012\_ Second Lien Bonds maturing on or after November 1, 20\_\_ are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after November 1, 20\_\_ and if in part, in such order of maturity as the City shall determine and within any maturity by lot, at a Redemption Price equal to the amounts set forth in the table below, together with accrued interest to the date fixed for redemption:

#### Redemption Price

**Mandatory Redemption.** The 2012\_ Second Lien Bonds maturing on November 1, 20\_., and November 1, 20\_., are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price of one hundred percent (100%) of the principal amount of such 2012\_ Second Lien Bonds to be redeemed, on November 1 of the years and in the amounts shown below, plus accrued interest to the redemption date, as set forth below:

Series 2012\_ Second Lien Bonds Due November 1, 20\_  
Series 2012\_ Second Lien Bonds Due November 1, 20\_

Principal Amount

Principal Amount

JOURNAL-CITY COUNCIL-CHICAGO

**Limited Obligation.** The 2012\_ Second Lien Bonds are issued pursuant to an ordinance adopted by the City Council of the City, which ordinance authorizes the execution and delivery of the Indenture. The 2012\_ Second Lien Bonds are limited obligations of the City payable solely from the Trust Estate pledged therefor under the Indenture.

No recourse shall be had for the payment of the principal of premium, if any, or interest on any of the 2012\_ Second Lien Bonds or for any claim based on the 2012\_ Second Lien Bonds or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future officer, employee or agent, or member of the City Council, of the City, or any successor to the City, as such, either directly or through the City, or any successor to the City, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of the City Council, as such, is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the 2012\_ Second Lien Bonds.

**Registration.** This 2012\_ Second Lien Bond is transferable by the Registered Owner of this 2012\_ Second Lien Bond in person or by such Registered Owner's attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture.

**Defeasance.** Provision for payment of all or any portion of the 2012\_ Second Lien Bonds may be made, and the Indenture may be discharged, prior to payment of the 2012\_ Second Lien Bonds in the manner provided in the Indenture.

**Miscellaneous.** The Registered Owner of this 2012\_ Second Lien Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants, the Indenture, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect to the Indenture, except as provided in the Indenture.

#### Assignment

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

Ten. Com. - as tenants in common

as tenants by the entireties

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

Unif. Gift Min. Act

under Uniform Gifts to Minors Act

(State)

3/14/2012

REPORTS OF COMMITTEES

. 21705

Additional abbreviations may also be used, though not in the above list. For Value

Received. The undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

this 2012\_ Second Lien Bond of the City of Chicago and does hereby irrevocably constitute and  
appoint \_\_\_\_\_ attorney to transfer  
said 2012\_ Second Lien Bond on the books kept for registration thereof, with full power of substitution in the  
premises.

Dated:

Signature:

Signature Guaranteed:

Notice: The signature to this assignment must correspond with the name as it appears upon the  
face of this 2012\_ Second Lien Bond in every particular, without alteration or enlargement or  
any change whatever.





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Form of

A

B

Loan Notice

Line of Credit Note

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## Water Revolving Credit Agreement

This Water Revolving Credit Agreement (as amended, modified or supplemented from time to time; this "Agreement") is entered into as of October 16, 2015, between the City OF Chicago, si municipal corporation and home rule unit of local government duly organized and existing under the' Gons^ (the "G'fy"), and Morgan Stanley Bank, N.A., a national banking association (the "Lender").

The City has requested that the Lender provide a water revolving credit facility, and the Lender is willing to do so on the terms and conditions set forth herein, In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

### Article I

#### Definitions and Accounting Terms

Section 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings set forth below:

"Affiliate" means, with respect to a Person, any Person (whether for-profit or not-for-profit), which "controls," is "controlled" by, or is under common "control" with such Person. For purposes of this definition, a Person "controls" another Person when the first Person possesses or exerciser directly, or indirectly through one or more other affiliates or related entities, the power to direct the management arid policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contractor otherwise.

"Agreement" has the meaning set forth in the introductory paragraph hereto.

"Applicable Rate" means, the rates per annum associated with the Rating as specified below:

For the period horn the Closing Date through but not including July 16, 2016:

Level	Fitch Rating	S&P Rating	Applicable Rate
-------	--------------	------------	-----------------

Level 1A- or above                    §Q<sup>K</sup> above

Level 2BBB+BBB +

Level 3BBB BBB

Level 4BBB- BBB-

For the period from and including July 16,2016 and thereafter:

#### Applicable Rate

In the event there is a split Rating (i.e., the Rating of either S&P or Fitch is at a different Level in the pricing grid set forth above than the rating of the other Rating Agency), the Applicable Rate shall be based upon the Level in which the lower Rating appeals. Any change in the Applicable Rate resulting from a change in a Rating will be and become effective as of and on the date of the announcement of the change in such Rating. References to ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency including, without limitation, any recalibration of the long-term debt rating of any Debt of the City secured by Second Lien Bond Revenues in connection with the adoption of a "global" rating scale, each of the Ratings from the Rating Agency in question referred to above will be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The City acknowledges, and the Lender agrees, that as of the Closing Date the Applicable Rate is that specified above for Level 1. During any period during which the City does not maintain a Rating from either S&P or Fitch, the interest rate on the Loans shall be the Default Rate.

"Authorized Officer" means the Mayor, the Chief Financial Officer, the City Comptroller or any other officer of the City authorized to act on its behalf.

"Availability Period" means the period from and including the Closing Date to the Commitment Termination Date.

"Bank Agreement" means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement (such as a continuing covenant agreement or supplemental bondholder's agreement), bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) entered into by the City and under which, directly or indirectly, any Person or Persons undertake(s) to make or provide funds to make payment of, purchase or provide credit enhancement or advance loans thereunder; provided that the term Bank Agreement does not include any Swap Agreement. .

"Base Rate" means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time plus one percent (1.0%), (ii) the Federal Funds Rate in effect at such time plus two percent (2.0%), and (iii) seven and one-half percent (7.5%).

"Borrowing" means a borrowing of Loans from the Lender pursuant to Section 2.01 hereof.

"Business Day" means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in New York, New York or Chicago, Illinois are authorized by law to close, (b) a day on which the New York Stock

Exchange or the Federal Reserve Bank of New York is closed or (c) a day on which the principal office of the Lender is closed.

"Change in Law" means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, will in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Chief Financial Officer" has the meaning set forth in the Ordinance,

"City" has the meaning set forth in the introductory paragraph hereto.

"City Comptroller" means the City Comptroller of the City.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 8.01 hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and, where appropriate any statutory predecessor or any successor thereto.

"Commercial Paper Notes" has the meaning set forth in the Ordinance.

"Commitment" means the Lender's obligation to make Loans to the City pursuant to Section 2.01, in an aggregate principal amount at any one time outstanding not to exceed the Commitment Amount, as such Commitment Amount may be adjusted from time to time in accordance with this Agreement.

"Commitment Amount" means \$ 125,000,000.

"Commitment Fee" has the meaning set forth in Section 2.07(a) hereof.

"Commitment Fee Rate" means, for each day during a month, the sum of (i) the Eurodollar Rate, plus (ii) the Commitment Fee Rate Margin.

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"Commitment Fee Rate Margin" means the rate per annum associated with the Rating (as defined below), as specified below:

For the period from the Closing Date through but not including July 16, 2016:

Level Level 1 Level 2 Level 3 Level 4

Fitch Rating A- or above BBB+ BBB BBB-

S&P Rating A-or above

BBB+

BBB

BBB-

Commitment Fee Rate Margin

For the period from and including July 16,2016 and thereafter:

Level Level 1 Level 2 Level 3 Level 4

Fitch Rating A- or above BBB+ BBB BBB-

S&P Rating A- or above

BBB+

BBB

BBB-

Commitment Fee Rate Margin

In the event both Rating Agencies provide a Rating and there is a split Rating (i.e., the Rating of either S&P or Fitch is at a different Level in the pricing grid set forth above than the rating of the other Rating Agency), the Commitment Fee Rate Margin shall be based upon the Level in which the lower Rating appears. Any change in the Commitment Fee Rate Margin resulting from a change in a Rating will be and become effective as of and on the date of the announcement of the change in such Rating. References to ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency including, without limitation, any recalibration of the long-term debt rating of any Debt of the City secured by Second Lien Bond Revenues in connection with the adoption of a "global" rating scale, each of the Ratings from the Rating Agency in question referred to above refers to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The City acknowledges, and the Lender agrees, that as of the Closing Date the Commitment Fee Rate Margin is that specified above for Level I. Upon the occurrence and during the continuance of an event of Default or in the event that any Rating is suspended, withdrawn or is otherwise unavailable for credit related reasons, the Commitment Fee Rate Margin will increase to the rate set forth in Level 4 plus 1.00%.

"Commitment Termination Date" means the earliest of:

- (a) October 15, 2016, or such later date as may be established pursuant to Section 2.1 I hereof; and

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- (b) the date the Commitment is reduced to zero pursuant to Section 2.04 or Section 7.02 hereof.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable in the

ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all Debts of others secured by a lien on any asset of such Person, whether or not such Debts are assumed by such Person, (vi) all Guarantees by such Person of Debt of other Persons, (vii) all obligations of such Person to reimburse or repay any bank or other Person in respect of amounts paid or advanced under a letter of credit, credit agreement, liquidity facility or other instrument, and (viii) net obligations of such Person under any Swap Agreement.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, Or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" means any event or condition that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus three percent (3.0%).

"Dollar" and "\$" mean lawful money of the United States.

"Effective Date" means October 16, 2015.

"ERISA " means the Employee Retirement income Security Act of 1974.

"Eurodollar Rate" means, for any Interest Period with respect to a Eurodollar Rate Loan or the calculation of the Commitment Fee Rate, the rate per annum equal to (i) the LIBOR rate quoted by the Lender from Reuters Screen LIBOR 1 Page or any successor thereto at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period or, (ii) if such rate is not available at such time for any reason, the rate per annum commercially reasonably selected by the Lender to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by two or more major banks in the London interbank eurodollar market selected by the Lender at approximately 11:00 a.m. (London time) two London Banking Days prior to the commencement of such Interest Period.

"Eurodollar Rate Loan" means a Loan that bears interest at the Eurodollar Rate, plus the Applicable Rate.

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"Event of Default" has the meaning specified in Section 7.01 hereof.

"Excess Interest" has the meaning specified in Section 2.12 hereof.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to the Lender or required to be withheld or deducted from a payment to the Lender (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of the Lender being organized under the laws of, or having its principal office located in the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of the Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of the Lender pursuant to a law in effect on the date on which the Lender acquires such interest in the Loans or the Commitment and (c) Taxes attributable to the Lender's failure to comply with Section 3.01(e).

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day will be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day will be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1 %) charged to the Lender on such day on such transactions as determined by the Lender.

"Fee Payment Date" has the meaning specified in Section 2.07(a) hereof.

"Fitch" means Fitch Ratings, Inc., and any successor rating agency.

"Floating Rate" means, for any day, the fluctuating rate of interest equal to the Prime Rate plus the Applicable Rate; provided, that subject to Section 2.12 hereof, at no time will the Floating Rate exceed the Maximum Rate.

"Floating Rate Loan" means a Loan that bears interest based on the Floating Rate.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the City.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

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"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation, or (ii) entered into for the purpose of assuring in any other manner the obligee in respect of such Debt or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Debt or other obligation of any other Person, whether or not such Debt or other obligation is assumed by such Person (or any right, contingent or otherwise, Of any holder of such Debt to obtain any such Lien). The amount of any Guarantee will be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"I.E.P.A. Loans" means, collectively, the borrowing or borrowings by the City from the Illinois Environmental Protection Agency, and its successors and assigns, under the I.E.P.A. Program and evidenced by one or more loan agreements.

"I.E.P.A. Program" shall have the meaning set forth in the Ordinance.



"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the City under this Agreement or the Note and (b) to the extent not otherwise described in (a), Other Taxes.

"Indemnatee" has the meaning specified in Section 8.04(b) hereof.

"Information" has the meaning specified in Section 8.07 hereof.

"Interest Payment Date" means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Commitment Termination Date; and (b) as to any Floating Rate Loan, the first Business Day of each month.

"Interest Period" means, (i) as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one month thereafter, as selected by the City in its Loan Notice and (ii) for the calculation of the Commitment Rate, the period from the Closing Date through November 15, 2015, and each calendar month thereafter; provided that with respect to each Eurodollar Rate Loan:

(i) any Interest Period that would otherwise end on a day that is not a Business Day will be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period will end on the next preceding Business Day;

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(ii) any Interest Period that begins on the last Business Day of a calendar month (or on which there is no numerically corresponding day in the calendar month at the end of such Interest Period) will end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period will extend beyond the Commitment Termination Date.

"IRS" means the United States Internal Revenue Service.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" has the meaning specified in the introductory paragraph hereto.

"Lending Office" means, the office or offices of the Lender described as such in Schedule 8.02, or such other office or offices as the Lender may from time to time notify the City.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

"Line of Credit Notes" has the meaning set forth in the Ordinance.

"Line of Credit Notes Account" shall have the meaning set forth in the Ordinance.

"Line of Credit Notes Revenues" has the meaning set forth in the Ordinance.

"Loan" has the meaning specified in Section 2.01 hereof,

"Loan Notice" means a notice of a Borrowing pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

"London Banking Days" means any Business Day on which commercial banks are open for business in London, England.

"Margin Stock" has the meaning ascribed to such term in Regulation U promulgated by the Board of Governors of the Federal Reserve System of the United States, as now and hereafter from time to time in effect.

"Material Adverse Effect" means: (a) a material adverse change in, or a material adverse effect upon, the operations, properties, assets, liabilities, condition (financial or otherwise) or results of operations of the Water System; (b) a material impairment of the ability of the City to consummate the transactions contemplated by, perform its obligations under, this Agreement, the Note or the Ordinance; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the City of this Agreement, the Note or the Ordinance.

"Maximum Rate" means the lesser of (i) eighteen percent (18%) and (ii) the maximum non-usurious lawful rate of interest permitted by applicable law.

"Net Revenues" has the meaning set forth in the Ordinance.

"Net RevenueStAvailable for Bonds" has the meaning set forth in the Ordinance.

"Note" means a promissory note made by the City in favor of the Lender evidencing Loans made by the Lender, substantially in the form of Exhibit B.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, the City arising under this Agreement, the Note or the Ordinance or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue hereunder or under the Note after the commencement by or against the City of any proceeding under any Debtor Relief Laws naming the City as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"OFAC" means the United States Department of Treasury Office of Foreign Assets Control.

"OFAC Sanctions Programs" means all laws, regulations, and executive orders administered by OFAC, including

without limitation, the Bank Secrecy Act, anti-money laundering laws (including, without limitation, the Patriot Act), and all economic and trade sanction programs administered by OFAC, any and all similar United States federal laws, regulations or executive orders, and any similar laws, regulations or orders adopted by any State within the United States.

"OFAC SDN List" means the list of the Specially Designated Nationals and Blocked Persons maintained by OFAC.

"Ordinance" means that certain ordinance adopted by the City Council of the City on March 14, 2012; and published in the Journal of Council Proceedings for such date at pages 21 184 through 21705, inclusive.

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"Other Connection Taxes" means Taxes imposed as a result of a present or former connection between the Lender and the jurisdiction imposing such Tax (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under; engaged in any other transaction pursuant to or enforced this Agreement, the Note or the Ordinance, or sold or assigned an interest in the Loans or this Agreement, the Note or the Ordinance).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement, the Note or the Ordinance, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

"Outstanding Amount" means on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date.

"Parity Debt" means all other obligations of the City secured by amounts in the Line of Credit Notes Account.

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub.L. 107-56 (signed into law October 26, 2001).

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Prime Rate" means on any day, a fluctuating rate of interest per annum equal to the "Prime Rate" listed daily in the "Money Rate" section of The Wall Street Journal, or if The Wall Street Journal is not published on a particular business day, than the "prime rate" published in any other national financial journal or newspaper selected by the Lender. Any change in the Prime Rate shall take effect on the date specified in the announcement of such change.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Rating" means the long-term unenhanced debt ratings assigned by Fitch and S&P to Debt of the City secured by Second Lien Bond Revenues (without giving effect to any credit enhancement securing such Debt).

"Rating Agencies" means Fitch and S&P.

"Reduction Fee" means an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of the permanent reduction of the Commitment pursuant to Section 2.04 hereof, (B) the difference between (x) the

Commitment Amount immediately prior to such reduction and (y) the Commitment Amount immediately after such reduction, and (C) a fraction,

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the numerator of which is equal to the number of days from and including the date of such reduction to and including the date that is nine months from the Closing Date, and the denominator of which is 365/366, as applicable.

"Related Parties" means the Lender's Affiliates and the partners, directors, officers, employees, agents and advisors of the Lender and its Affiliates.

"Request for Borrowing" means with respect to a Borrowing, a Loan Notice.

"Revenues Secured Debt" means any Debt of the City secured by a Lien on or pledge of all or any portion of the Net Revenues Available for Bonds on a basis that is senior to or on a parity with the Loans, including Senior Lien Bonds, Second Lien Bonds, Swap Agreements, Subordinate Lien Obligations, Commercial Paper Notes and Line of Credit Notes.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and any successor rating agency.

"Second Lien Bond Revenues" has the meaning set forth in the Ordinance.

"Second Lien Bonds" has the meaning set forth in the Ordinance.

"Second Lien Bonds Master Indenture" means the Master Indenture of Trust Securing City of Chicago Second Lien Water Revenue Bonds, dated as of December 15, 1999, from the City to The Bank of New York Mellon Trust Company, N.A., as trustee, as previously amended and as the same may be supplemented and amended from time to time.

"Second Lien Ordinances" means each ordinance adopted by the City Council of the City (the "City Council") relating to the issuance of Second Lien Bonds, including, without limitation (i) the ordinance adopted by the City Council on November 17, 1999 (the "Series 2000 Bond Ordinance"), (ii) the ordinance adopted by the City Council on March 7, 2001, (iii) the ordinance adopted by the City Council on May 26, 2004, (iv) the ordinance adopted by the City Council on June 28, 2006, (v) the ordinance adopted by the City Council on September 27, 2007, (vi) the ordinance adopted by the City Council on September 8, 2010, (vii) the Ordinance and the ordinance adopted by the City Council on April 30, 2014.

"Senior Lien Bonds" has the meaning set forth in the Ordinance.

"Senior Lien Ordinance" means each ordinance adopted by the City Council of the City relating to the issuance of Senior Lien Bonds by the City, including, without limitation, (i) the ordinance adopted by the City Council on August 4, 1993, (ii) the ordinance adopted by the City Council on June 4, 1997 and (iii) the ordinance adopted by the City Council on November 17, 1999.

"Series 2004 Second Lien Bonds" has the meaning set forth in the Ordinance.

"Short-Term Obligations" has the meaning set forth in the Ordinance.

"State" means the State of Illinois.

"Subordinate Lien Obligations" has the meaning set forth in the Ordinance.

"Subordinate Lien Ordinances" means the Ordinance and any other ordinance adopted by the City Council of the City that contains limitations on the issuance of Subordinate Lien Obligations.

"Swap Agreement" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bpnd or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), to which the City is a party, whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind to which the City is a party, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Govenimental Authority, including any interest, additions to tax or penalties applicable thereto.

"Termination Fee" means an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of termination of the Commitment pursuant to Section 2.04 hereof, (B) the Commitment Amount immediately prior to such termination and (C) a fraction, the numerator of which, is equal to the number of days from and including the date of termination to and including the date that is nine months from the Closing Date, and the denominator of which is 365/366, as applicable.

"Total Outstandings" means the aggregate Outstanding Amount of all Loans.

"Type" means with respect to a Loan, its character as a Floating Rate Loan or a Eurodollar Rate Loan.

"UnitedStates" and "U.S." mean the United States of America.

"Water Fund" has the meaning set forth in the Ordinance,

"Water Swaps" means (i) the interest-rate swap lor a notional amount of \$100,000,000 as evidenced by that certain ISDA Master Agreement between the City and Barclays Bank PLC

dated as of May 15, 2015 and as amended, relating to the 2000 Second Lien Bonds (ii) the interest-rate swap for a notional amount of \$200,000,000 as evidenced by that certain ISDA Master Agreement between the City and Royal Bank of Canada, together with the Schedule and Credit Support Annex and confirmation, each dated July 29, 2004 and as amended, relating to the Series 2004 Second Lien Bonds, and (iii) the interest-rate swap for a notional amount of \$173,345,000 as evidenced by that certain ISDA Master Agreement between the City and Barclays Bank PLC, together with the Schedule and Credit Support Annex and confirmation, each dated as of May 19, 2015 and as amended, relating to the Series 2004 Second Lien Bonds.

"Water System" has the meaning set forth in the Ordinance.

"written" or "in writing" means any form of written communication or a communication by means of telex, telecopier device or electronic mail.

"2000 Second Lien Bonds" has the meaning set forth in the Ordinance.

"2014 Water Fund CAFR" means the City of Chicago, Department of Water Management, Water Fund Comprehensive Annual Financial Report for the Years Ended December 31, 2014 and 2013.

"2015 Line Subaccount" means the subaccount within the Line of Credit Notes Account established as provided in Section 8.20 hereof.

Section 1.02. Other Interpretive Provisions. With reference to this Agreement, the Note and the Ordinance, unless otherwise specified herein or in the Note or the Ordinance:

(a) The definitions of terms herein apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" are deemed to be followed by the phrase "without limitation." The word "will" will be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in the Note or the Ordinance), (ii) any reference herein to any Person will be construed to include such Person's successors and assigns, (iii) the words "hereto," "herein," "hereof" and "hereunder," and words of similar import when used in this Agreement, the Note or the Ordinance, will be construed to refer to such document in its entirety and not to any particular provision thereof, (iv) all references in this Agreement, the Note or the Ordinance to Articles, Sections, Exhibits and Schedules will be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, the Note or the Ordinance in which such references appear, (v) any reference to any law includes all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or

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regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" will be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

b) *In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."*

c) Section headings herein and in the Note and the Ordinance are included for convenience of reference only and do not affect the interpretation of this Agreement, the Note or the Ordinance.

*Section 1.03. Accounting Terms.*

a) Generally. All accounting terms not specifically or completely defined herein will be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements of the Water Fund, except as otherwise specifically prescribed herein.

b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth herein or in the Ordinance, and either the City or the Lender shall so request, the Lender and the City shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (A) such ratio or requirement will continue to be computed in accordance with GAAP prior to such change therein and (B) the City shall provide to the Lender financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

Section 1.04. Rounding. Any financial ratios required to be maintained by the City pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section-1.05. Times of Day. Unless otherwise specified, all references herein to times of day are references to Central time (daylight or standard, as applicable).

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## Article II

### The Commitments and Credit Extensions

Section 2.0.1. Loans. Subject to the terms and conditions set forth herein, the Lender agrees to make loans (each such loan, a "Loan") to the City from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the Commitment Amount; provided, however, that after giving effect to any Borrowing, the Total Outstandings will not exceed the Commitment Amount. Subject to the other terms and conditions hereof, the City may borrow under this Section 2.01, prepay under Section 2.03, and reborrow under this Section 2.01. Loans may be Eurodollar Rate Loans, or, if the Lender has notified the City that the Eurodollar Rate is unavailable in accordance with Section 3.03 or 3.04 hereof, a Floating Rate, as further provided herein.

Section 2.02. Borrowings, Conversions and Continuations of Loans. (a) Each Borrowing, each conversion and each

continuation of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans will be made upon the City's irrevocable notice to the Lender, which may be given by telephone. The Lender must receive each such notice not later than 11:00 a.m., (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans, or of any conversion of Eurodollar Rate Loans to Floating Rate Loans (if the Lender has notified the City that the Eurodollar Rate is unavailable for any reason), and (ii) on the requested date of any Borrowing of Floating Rate Loans (if the Lender has notified the City that the Eurodollar Rate is unavailable for any reason). Each telephonic notice by the City pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Lender of a written Loan Notice, appropriately completed and signed by an Authorized Officer. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$1,000 in excess thereof. Each Borrowing of or conversion to Floating Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$1,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether the City is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or a continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted, or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the City fails to specify a Type of Loan in a Loan Notice or if the City fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or continued as, Eurodollar Rate Loans. Any such automatic continuation as Eurodollar Rate Loans will be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans.

(b) Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Borrowing, the satisfaction of the conditions set forth in Section 4.01, or the waiver thereof by the Lender), the Lender shall make all funds available to the City by 3:00 p.m. on the Business Day specified in the applicable Loan Notice by wire transfer of such funds for deposit to an account specified by the City in the applicable Loan Notice, in each case

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in accordance with instructions provided to (and reasonably acceptable to) the Lender by the City.

c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of an Event of Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Lender, and the Lender may demand that any or all of the then outstanding Eurodollar Rate Loans be converted immediately to Floating Rate Loans and the City agrees to pay all amounts due under Section 3.05 in accordance with the terms thereof due to any such conversion upon receipt of invoice of such charges.

d) The Lender shall promptly notify the City of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate and the date on which such Interest Period ends. Such determination shall be made in accordance with the terms of this Agreement.

e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than six Interest Periods in effect with respect to Loans.

Section 2.03. Prepayments, (a) The City may, upon notice to the Lender, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Lender not later than 2:00 p.m. (A) two Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Floating Rate Loans; and (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$1,000 in excess thereof; and (iii) any prepayment of Floating Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of at least \$1,000 in excess thereof or, in each case,



if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. If the City gives such notice, the City shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of principal shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05.

b) If for any reason the Total Outstandings at any time exceed the Commitment then in effect, the City shall immediately prepay Loans in an aggregate amount equal to such excess.

c) Upon receipt of notice from the City in accordance with Section 6.01(o) hereof, the Bank may elect to terminate this Agreement. Upon such termination, all outstanding Obligations hereunder shall become immediately due and payable and thereafter such amounts shall bear interest at the Default Rate, payable on demand.

Section 2.04. Termination or Reduction of Commitment. The City may, upon written notice to the Lender, terminate the Commitment, or from time to time permanently reduce the Commitment; provided that (i) any such notice shall be received by the Lender not later than

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2:00 p.m. three (3) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$500,000 or any whole multiple of \$1,000 in excess thereof, (iii) the City shall not terminate or reduce the Commitment if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Commitment, and (iv) the City shall pay to the Lender a Termination Fee or Reduction Fee, if any, as set forth in Section 2.07(c) hereto. All Commitment Fees accrued until the effective date of any termination of the Commitment shall be paid on the effective date of such termination.

Section 2.05. Repayment of Loans. The City shall repay to the Lender on the Commitment Termination Date the aggregate principal amount of Loans outstanding on such date. Any Loan not paid on such date will bear interest at the Default Rate thereafter, payable on demand.

Section 2.06. Interest, (a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan will bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period, plus the Applicable Rate; and (ii) each Floating Rate Loan will bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Floating Rate plus the Applicable Rate; provided, that subject to Section 2.12 hereof, at no time shall the interest rate on a Loan be payable in excess of the Maximum Rate. Each invoice for interest sent by the Lender to the City shall include a detailed breakdown of the Eurodollar Rate or Floating Rate, as applicable, for such period being invoiced.

b) (i) While any Event of Default exists, the City shall pay interest on all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws; provided, that subject to Section 2.12 hereof, at no time shall the Default Rate be payable in excess of the Maximum Rate.

(ii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

Section 2.07. Fees. (a) Commitment Fee. The City shall pay to the Lender, a daily commitment fee (the "Commitment Fee") equal to the product of (i) the Commitment Fee Rate for such day and (ii) the actual daily amount by which the Commitment Amount exceeds the Outstanding Amount of Loans on such day. The Commitment Fee will accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Section 4.02 is not met, and shall be due and payable quarterly in arrears on the first Business Day of each October, January, April and July (each a "Fee Payment Date"), commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period. The Commitment Fee will be calculated quarterly in arrears, and if there is any change in the Commitment Fee Rate during any quarter, the actual daily amount will be computed and

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multiplied by the Commitment Fee Rate separately for each period during such quarter that such Commitment Fee Rate was in effect.

b) Amendment and Waiver Fees. The City hereby agrees to pay to the Lender, on the date of each amendment to or extension of this Agreement or the Note, or execution of any standard waiver or consent relating thereto after the Closing Date, a non-refundable fee equal to \$2,500, plus, in each case, the reasonable fees and expenses of counsel to the Lender in an amount to be agreed upon by the parties prior to the commencement of such action. Such fees will be fully earned when paid and will not be refundable for any reason whatsoever.

c) Termination or Reduction Fee. The City shall pay to the Lender a Reduction Fee or Termination Fee, as applicable, in connection with each permanent reduction or termination of the Commitment pursuant to Section 2.04 hereof prior to the date nine months from the Closing Date, in an amount equal to the Reduction Fee or Termination Fee, as applicable, payable on the date of such termination or each such reduction.

Section 2.08. Computation of Interest and Fees. All computations of fees and interest will be made on the basis of a year of three hundred sixty (360), and actual days elapsed. Interest will accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.10, bear interest for one day. Each determination by the Lender of an interest rate or fee hereunder will be conclusive and binding for all purposes, absent manifest error.

Section 2.09. Evidence of Debt. The Borrowings made by the Lender shall be evidenced by one or more accounts or records maintained by the Lender in the ordinary course of business. The accounts or records maintained by the Lender shall be conclusive absent manifest error of the amount of the Borrowings made by the Lender to the City and the interest and payments thereon. Any failure to so record or any error in doing so will not, however, limit or otherwise affect the obligation of the City hereunder to pay any amount owing with respect to the Obligations. The City shall execute and deliver to the Lender a Note, which evidences the Lender's Loans in addition to such accounts or records. The Lender may attach schedules to its Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

Section 2.10. Payments. General. Subject to Section 8.19 hereof, all payments to be made by the City shall be made in Dollars and immediately available funds by wire transfer as directed by the Lender by 3:00 p.m. in accordance with wire transfer instructions provided by the Lender, on the date specified and without condition or deduction for any counterclaim, defense, recoupment or setoff. Unless the Lender provides written notice to the contrary, payments shall be made to MS Bank NA USD, Citibank, N.A., New York, NY 10043 ABA No. 021-000-089, Account Name: Morgan Stanley Bank, N.A., Account No. 3044-0947, Ref: City of Chicago Water Revolving Credit Agreement, Attention: Morgan Stanley Loan Servicing. If any payment to be made by the City is due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time will be reflected in computing

interest or fees, as the case may be. All payments received by the Lender after 3:00 p.m. will be deemed

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received on the next succeeding Business Day and any applicable interest or fee will continue to accrue.

Section 2.11. Extension of Commitment Termination Date. At least sixty (60) days and no more than two hundred and ten (210) days prior to the Commitment Termination Date, the City may make a request to the Lender, upon written notice, to extend the Commitment Termination Date. Not more than thirty (30) days from the date on which the Lender receives any such notice from the City pursuant to the: preceding sentence, the Lender shall notify the City of the initial consent or nonconsent of the Lender to such extension request, which consent shall be given at the sole and absolute discretion of the Lender. If the Lender consents to such extension request, the Lender shall deliver to the City written notice of the Lender's election to extend Commitment Termination Date. Failure of the Lender to respond to a request for extension of the Commitment Termination Date constitutes denial of such extension.

Section 2.12. Maximum Rate. If the rate of interest payable hereunder exceeds the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum Rate shall be due and payable with respect to such interest period, and (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof and (ii) the Maximum Rate (the "Excess Interest"), will be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the City shall pay to the Lender, with respect to amounts then payable to the Lender that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Lender to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until the earlier of (i) the date of payment in full of all Obligations (other than Excess Interest which has not been recaptured) and on which this Agreement is no longer in effect, and (ii) the date on which all deferred Excess Interest is fully paid to the Lender.

### Article III

#### Taxes, Yield Protection and Illegality

##### *Section 3.01. Taxes.*

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes. (i) Any and all payments by or on account of any Obligation of the City hereunder or under the Note shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If any applicable Laws require the withholding or deducting of any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined by the City or the Lender, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the City is required by any applicable Laws to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment, then (A) the City, as required by such Laws, shall withhold or make such deductions as

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are determined by it to be required based upon the information and documentation it has received pursuant to subsection

(e) below, (B) the City, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the City will be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the Lender, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

b) Payment of Other Taxes by the City. Without limiting the provisions of subsection (a) above, the City shall timely pay to the relevant Governmental Authority in accordance with applicable Law, or at the option of the Lender at its option to timely reimburse it for the payment of, any Other Taxes.

c) Tax Indemnifications, (i) Without limiting the provisions of subsection (a) or (b) above, the City shall, and does hereby, indemnify the Lender, and shall make payment in respect thereof within thirty (30) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by the Lender or required to be withheld or deducted from a payment to the Lender, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the City by the Lender is conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, the Lender shall, and does hereby, indemnify the City and shall make payment in respect thereof within ten (10) days after demand therefor, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the reasonable fees, charges and disbursements of any counsel for the City) incurred by or asserted against the City by any Governmental Authority as a result of the failure by the Lender to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by the Lender to the City pursuant to subsection (e). The agreements in this clause (ii) survive any assignment of rights by, or the replacement of, the Lender, the termination of the Commitment and the repayment, satisfaction or discharge of all other Obligations.

d) Evidence of Payments. Upon request by the City or the Lender, as the case may be, after any payment of Taxes by the City or by the Lender to a Governmental Authority as provided in this Section 3.01, the City shall deliver to the Lender or the Lender shall deliver to the City, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the City or the Lender, as the case may be.

e) Status of the Lender; Tax Documentation, (i) If the Lender is entitled to an exemption from or reduction of withholding Tax with respect- to payments made under this

Agreement or the Note, the Lender shall deliver to the City, at the time or times reasonably requested; by the City, such properly completed and executed documentation reasonably requested by the City as will permit such payments to be made without withholding or at a -reduced rate of withholding. In addition, the Lender, if reasonably requested by the City, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the City as will enable the City to determine whether or not the. Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01 (e)(ii) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject the Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of the Lender.

(ii) Without limiting the generality of the foregoing, the Lender shall deliver to the City (and from time to time thereafter upon the reasonable request of the City), executed originals of IRS Form W-9 certifying that the Lender is exempt from U.S. federal backup withholding tax.

f) Treatment of Certain Refunds. If the Lender determines that it has received a refund of any Taxes as to which it has been indemnified by the City or with respect to which the City has paid additional amounts pursuant to this Section 3.01, it shall pay to the City an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the City under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by the Lender, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the City, upon the request of the Lender, agrees to repay the amount paid over to the City (plus any penalties, interest or other charges imposed by the relevant Governmental Authority, provided, that the City shall not be obligated to pay the Lender for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Lender's gross negligence or willful misconduct) to the Lender in the event the Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the Lender be required to pay any amount to the City pursuant to this subsection the payment of which would place the Lender in a less favorable net after-Tax position than the Lender would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This subsection shall not be construed to require the Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the City or any other Person.

g) Survival. Each party's obligations under this Section survive the repayment, satisfaction or discharge of all other Obligations.

#### *Section 3.02. Increased Costs.*

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with

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or for the account of, or credit extended or participated in by, the Lender (except any reserve requirement contemplated by Section 3.02(e));

(ii) subject the Lender to any Taxes (other than (A) Indemnified Taxes, B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on the Lender or the London interbank market any other condition, cost or expense affecting this Agreement, the Loans made by the Lender or participation therein;

and the result of any of the foregoing increases the cost to the Lender of making or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or any other amount) then, upon request of the Lender, the City will pay to the Lender, such additional amount or amounts as will compensate the Lender, for such additional costs incurred or

reduction suffered.

b) Capital Requirements. If the Lender determines that any Change in Law affecting the Lender or any Lending Office of the Lender or the Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement, the Commitment or the Loans, to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the City will pay to the Lender, as the case may be, such additional amount or amounts as will compensate Lender or the Lender's holding company for any such reduction suffered.

c) All payments of amounts referred to in paragraphs (a) and (b) of this Section shall be due and payable, in full, by the date which is thirty-one (31) days following the City's receipt of notice. Interest on the sums due as described in paragraphs (a) and (b) of this Section, and in the preceding sentence, will begin to accrue at a rate per annum equal to (i) the Base Rate from the date which is thirty-one (31) days following the City's receipt of notice thereof to and including the date which is sixty (60) days following the City's receipt of notice thereof and (ii) the Default Rate from and including the date which is sixty-one (61) days following the City's receipt of notice thereof and at all times thereafter and shall otherwise be payable in accordance with Section 2.06 hereof. A certificate as to such increased cost, increased capital or reduction in return incurred by the Lender as a result of any event mentioned in paragraphs (a) or (b) of this Section setting forth, in reasonable detail, the basis for such calculation and the amount of such calculation shall be submitted by the Lender to the City and shall be deemed conclusive if reasonably determined. In making the determinations contemplated by the above referenced certificate, the Lender may make such reasonable estimates, assumptions, allocations and the like that the Lender in good faith determines to be appropriate; provided that the Lender

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*shall provide to the City such additional information in connection with such certificate as the City may reasonably request in writing. >*

d) Delay in Requests. Failure or delay on the part of the Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the City shall not be required to compensate the Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that the Lender notifies the City of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor .(except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above will be extended to include the period of retroactive effect thereof)-

e) Reserves on Eurodollar Rate Loans. The City shall pay to the Lender, as long as the Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by the Lender (as determined by the Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the City shall have received at least 30 days' prior notice of such additional interest from the Lender. If a Lender fails to give notice 30 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 30 days from receipt of such notice.

Section 3.03. Illegality. If the Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to the Eurodollar Rate, or to determine or charge interest rates based upon the

Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of the Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by the Lender to the City, any obligation of the Lender to make or continue Eurodollar Rate Loans or to convert Floating Rate Loans to Eurodollar Rate Loans shall be suspended, until the Lender notifies the City that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the City shall, upon demand from the Lender, prepay or, if applicable, convert all Eurodollar Rate Loans of the Lender to Floating Rate Loans, either on the last day of the Interest Period therefor, if the Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if the Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the City shall also pay accrued interest on the amount so prepaid or converted. In the event of any such prepayment by the City, no amount shall be payable by the City to the Lender pursuant to Section 3.05 hereof.

Section 3.04. Inability to Determine Rates. If the Lender determines that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate

and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or in connection with an existing or proposed Floating Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lender of funding the Loan, the Lender will promptly so notify the City. Thereafter, the obligation of the Lender to make or maintain Eurodollar Rate Loans shall be suspended, until the Lender revokes such notice. Upon receipt of such notice, the City may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Floating Rate Loans in the amount specified therein, and upon any such revocation or request for a Borrowing of Floating Rate Loans solely for the reasons specified in this Section 3.04, no amount shall be payable by the City to the Lender pursuant to Section 3.05 hereof.

Section 3.05. Compensation for Losses. Except as otherwise provided herein, upon demand of the Lender from time to time, the City shall promptly compensate the Lender for and hold the Lender harmless from any loss, cost or expense incurred by it as a result of:

a) any continuation, conversion, payment or prepayment of any Eurodollar Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

b) any failure by the City (for a reason other than the failure of the Lender to make a Loan) to prepay, borrow, continue or convert any Eurodollar Rate Loan on the date or in the amount notified by the City;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained.

For purposes of calculating amounts payable by the City to the Lender under this Section 3.05, the Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

Section 3.06. Survival; Limited Obligation. All of the City's and Lender's obligations under this Article III survive termination of the Commitment and repayment of all other Obligations hereunder. The City's payment obligations under

this Article 111 are subject to Section 8.19 hereof.

Section 3.07. Information. In the event the Lender requests that the City make any payment pursuant to this Article III, such request shall be in writing and shall provide a written explanation of the amount due and owing.

## Article IV

### Conditions Precedent to Borrowings

Section 4.01. Conditions of Initial Borrowing; Authority; Enforceability. This Agreement shall become binding on the parties hereto upon the satisfaction of the following conditions precedent (this Agreement and other documents to be delivered to the Lender pursuant to this Section 4.01 are subject to prior approval as to form and substance by the Lender, with delivery by the Lender of its signature page to this Agreement evidencing such Person's acknowledgement that the conditions set forth in this Section 4.01 have been satisfied, unless otherwise waived in writing):

(a) The Lender's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by an Authorized Officer, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Lender:

- (i) executed counterparts of this Agreement;
- ii) the Note executed by the City;
- iii) a certified copy of the Ordinance and any other ordinances of the City's City Council (or similar governing body) amending or supplementing the Ordinance, together with specimen signatures of the persons authorized to execute this Agreement and the Note on the City's behalf, all certified in each instance by the City Clerk;
- iv) a favorable opinion of the Corporation Counsel to the City addressed to the Lender, as to the matters set forth concerning the City and this Agreement, the Note and the Ordinance in form and substance satisfactory to the Lender;
- v) a certificate signed by an Authorized Officer certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since December 31, 2014 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;
- vi) recent evidence that the unenhanced long-term rating of City's Second Lien Bonds has been assigned long-term ratings of at least "A-" by S&P and "AA" by Fitch, respectively;
- vii) a certificate signed by an Authorized Officer to the effect that there are no events of default or termination events with respect to any Revenues



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Secured Debt or Swap Agreement of the City secured by Net Revenues Available for Bonds; and

(viii) such other assurances, certificates, documents, consents or opinions as the Lender reasonably may require.

For purposes of determining compliance with the conditions specified in this Section 4.01, execution and release by the Lender of its signature pages to this Agreement shall be deemed conclusive evidence of the Lender's consent, approval, acceptance or satisfaction with, each document or other matter required hereunder to be consented to or approved by or be acceptable or satisfactory to the Lender.

Section 4.02. Conditions to All Borrowings. The obligation of the Lender to honor any Request for Borrowing is subject to the following conditions precedent:

a) The representations and warranties of the City contained in Article V hereof, or which are contained in any document furnished by the City at any time under or in connection herewith or therewith, are true and correct on and as of the date of such Borrowing, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in Section 5.12 will be deemed to refer to the most recent statements furnished pursuant to clause (b)(i) of Section 6.01.

b) No Default or Event of Default exists hereunder and no event of default or termination event exists under any agreement or Swap Agreement secured by Net Revenues Available for Bonds, or would result from such proposed Borrowing or from the application of the proceeds thereof, other than with respect to any Water Swaps which will be terminated upon the application of the proceeds of the proposed Borrowing.

c) The Lender has received a Request for Borrowing in accordance with the requirements hereof.

d) After giving effect to any Loan, the amount of Total Outstandings does not exceed the Commitment.

e) Such Borrowing does not violate any order, judgment or decree of any court or authority of competent jurisdiction or any provision of law as then in effect.

f) The Lender shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as the Lender reasonably may require.

g) From and after the date on which the City issues any additional Second Lien Bonds, it shall be a condition precedent to the City's ability to make additional

Borrowings that the Lender shall have provided its prior written consent to any such Borrowing.

Each Request for Borrowing submitted by the City will be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied On and as of the date of the applicable Borrowing.

## Article V

### Representations and Warranties

The City makes the following representations and warranties to the Lender:

Section 5.01. Due Authorization. The City has or had, at the applicable time, the full legal right, power and authority to (i) adopt the Ordinance, (ii) enter into, to execute and deliver this Agreement and the Note as provided herein and in the Ordinance, and (iii) own and operate the Water System and to carry on its business with respect thereto. The City has duly authorized and approved the execution and delivery of this Agreement and the Note.

Section 5.02. Enforceability. No further authorization or approval is required for the City's execution and delivery of this Agreement or the Note, and this Agreement and the Note constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, reorganization, "insolvency, moratorium or other laws relating to or affecting the enforcement of creditors' rights generally or by general principles of equity; and no further authorization or approval is required with respect to the enforceability of the City's obligations hereunder or thereunder.

Section 5.03. Ordinance. The City Council has duly adopted the Ordinance, which is in full force and effect. This Agreement and the Note have been duly authorized, executed and delivered by authorized officers of the City and are in full force and effect. In connection with the execution and delivery of this Agreement and the Note, the City has complied in all material respects with the Ordinance, the Constitution and the laws of the State.

Section 5.04. Priority. The Obligations (including the Note) constitute limited obligations of the City for the payment of principal of and interest on which moneys in the Line of Credit Notes Account will be applied as provided in the Ordinance and Section 8.20 hereof and will rank equally in right of payment by the City from Line of Credit Notes Revenues with all other Parity Debt as provided in the Ordinance.

Section 5.05. Consents. All approvals, consents, registrations, declarations and filings (except, if any, under applicable state blue sky or securities laws) with, any federal, state or other governmental body or instrumentality, having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations hereunder, under the Ordinance or the Note have been obtained or made.

Section 5.06. No Violation. The adoption of the Ordinance and compliance with the provisions thereof do not, and the execution and delivery of this Agreement and the Note do not and will not violate any existing law or administrative regulation of the State or of any department, division, agency or instrumentality thereof or of the United States, or any court or administrative regulation, judgment, decree or order to which the City is subject, or conflict with in a material manner or constitute on the part of the City a material breach of, or a material default under, any material provision of any agreement, indenture, mortgage, lease, note, ordinance, resolution, agreement or other instrument to which the City is subject or by which it is bound.

Section 5.07. Litigation. Except as otherwise previously disclosed in writing to the Lender, no action, suit or proceeding, at law or in equity, or before any court, public board or body is pending (or to the knowledge of the City threatened) against the City or any officers of the City in their respective capacities as such (i) to restrain or enjoin the delivery by the City of this Agreement or the Note, or (ii) questioning the authority of the City to have adopted the

Ordinance or to have issued the Note, or the validity of the Note, this Agreement or any other Revenues Secured Debt of the City or (iii) questioning the constitutionality of any statute or the validity of any proceeding that authorized the issuance of the Note or this Agreement, or (iv) questioning the collection or deposit or proposed collection or deposit of any material portion of the Net Revenues Available for Bonds, or (v) which could reasonably be expected to have a Material Adverse Effect.

Section 5.08. Security; No Prior Lien. The Ordinance creates, for the benefit and security of the Obligations (including the Note), a legally valid, binding and irrevocable lien on and pledge of the Line of Credit Notes Revenues. The lien securing the payment of the Obligations (including the Note) is subordinate only to the lien securing the payment of the Senior Lien Bonds, the Second Lien Bonds and the Subordinate Lien Obligations and ranks on a parity with all other Parity Debt. The moneys to be deposited in the 2015 Line Subaccount and the Line of Credit Notes Account have not been, and will not be, pledged by the City to the payment of any obligation, other than the Obligations, and upon transfer to the 2015 Line Subaccount, such moneys will not be subject to any prior claim or prior lien.

Section 5.09. Revenue Pledge. The moneys pledged pursuant to the Ordinance for payment of the Obligations have not been, and will not be, pledged by the City to the payment of any other obligation, except as contemplated and permitted by the Ordinance.

Section 5.10. Validity of Lien. The Lien granted under the Ordinance on the Line of Credit Notes Revenues on deposit in the Line of Credit Notes Account and the 2015 Line Subaccount is a valid and enforceable Lien securing payment of the Note and the Obligations. No filing, registering, recording of the Ordinance or any other instrument is required to establish the pledge or perfect, protect or maintain such Lien.

Section 5.11. Organization. The City is a municipal corporation and "home rule unit" as that term is defined in Section 6 of Article VII of the 1970 Constitution of the State.

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Section 5.12. Financial Statements. The 2014 Water Fund CAFR fairly presents the financial position and results of operation of the Water Fund as of December 31, 2014, and has been prepared in accordance with Generally Accepted Accounting Principles as consistently applied to governmental units, except as otherwise noted therein. Except as otherwise previously disclosed in writing to the Lender, to the best knowledge of the Chief Financial Officer, no material adverse change in the financial position of the Water Fund as shown on the 2014 Water Fund CAFR has occurred since December 31, 2014.

Section 5.13. Complete and Correct Information. Neither this Agreement nor any other certificate, report, statement or other document or information furnished to the Lender, with respect to the City in connection therewith or with the consummation of the transactions contemplated hereby, contains any material misstatement of fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading in any material respect. As of the Effective Date, there is no non-disclosed fact known that could reasonably be expected to have a Material Adverse Effect that has not been reflected in the 2014 Water Fund CAFR.

Section 5.14. Absence of Default. The City is not in default under any material provision of the Ordinance, the Senior Lien Bonds, the Second Lien Bonds, the ordinances and trust indentures authorizing and securing the Senior Lien Bonds and Second Lien Bonds, or any other document or agreement evidencing Revenues Secured Debt or secured by Net Revenues Available for Bonds. The City is not in default under any material agreements or instruments relating to the Water System to the extent such default could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred or is continuing hereunder.

Section 5.15. Liens. Net Revenues Available for Bonds have not been pledged by the City to the payment of any other obligation, except Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, Short Term Obligations and Parity Debt. The Note and the Obligations are secured on a parity with all other Parity Debt. As of the Effective Date, the only outstanding Short-Term Obligation is the Note.

Section 5A6. No Existing Revenues Secured Debt Subject to Acceleration. As of the Effective Date, no Person, including, without limitation, any credit facility provider or liquidity provider, either of which provides credit enhancement or liquidity support to any Revenues Secured Debt, or any holder of Revenues Secured Debt, has a right under any indenture, or supplemental indenture relating to any such Revenues Secured Debt or under any other document or agreement relating to any Revenues Secured Debt, to direct the trustee to cause a mandatory acceleration of such Revenues Secured Debt, or to otherwise declare the principal of and interest on any Revenues Secured Debt to be immediately due and payable, prior to its maturity, other than the 2000 Second Lien Bonds and the Series 2004 Second Lien Bonds.

Section 5.17. Environmental Laws. Except as otherwise previously disclosed in writing to the Lender, the City has not received notice to the effect that the operations of the Water System are not in compliance with any Environmental Laws or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a

release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action would reasonably be expected to have a Material Adverse Effect.

Section 5.18. No Proposed Legal Changes. Except as otherwise previously disclosed in writing to the Lender, there is no amendment, or to the knowledge of the City, proposed amendment certified for placement on a statewide ballot, to the Constitution or any published administrative interpretation of the Constitution Or any State law, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have a Material Adverse Effect.

Section 5.19. Usury. The Note does not provide for any payments that would violate any applicable State law regarding permissible maximum rates of interest.

Section 5.20. Margin Stock. The City is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds of the Loans will be used to purchase or carry any such Margin Stock or extend credit to others for the purpose of purchasing or carrying any such Margin Stock.

Section 5.21. OFAC Sanctions. To the actual knowledge of the Chief Financial Officer, the City (i) is in compliance with the requirements of all OFAC Sanctions Programs to the extent applicable to the City, and (ii) neither the City nor the Water System is, as of the date hereof, named on the current OFAC SDN List.

Section 5.22. Outstanding Revenues Secured Debt. As of the Effective Date the only outstanding Revenues Secured Debt is as follows: (i) the Senior Lien Bonds and Second Lien Bonds described in the 2014 Water Fund CAFR, and (ii) I.E.P.A. Loans in an aggregate principal amount of \$85,665,000 as of December 31, 2014.

Section 5.23. Other Subaccounts. As of the Effective Date, the City has not established any subaccounts within the Line of Credit Notes Account other than the 2015 Line Subaccount.

## Article VI Covenants

Section 6.01. Affirmative Covenants of the City. The City will do the following until the full and final payment and satisfaction of all of the Obligations, unless the Lender shall otherwise consent in writing:

(a) Further Assurances. The City shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the request of the Lender, all such instruments and documents as in the reasonable judgment of the Lender are necessary to comply with this Agreement, the Ordinance and the Note.

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(b) Information. The City will deliver to the Lender, in as many copies as it reasonably shall request in writing, as soon as available, the following documents:

(i) as soon as available and in any event within 270 days after the close of each of its fiscal years, the financial statements of the Water Fund certified by independent certified public accountants covering the operations of the Water System for such fiscal year and containing balance sheets, statements of revenues, expenses and changes in retained earnings and statements of cash flows of the Water Fund for such fiscal year, all prepared in accordance with Generally Accepted Accounting Principles; and accompanied by a certificate of such accountants setting forth computations of the coverage covenant required to be satisfied or maintained by the City and the Water System pursuant to Section 6.01(d); provided, however that such certificate of such accountants shall not be required if such financial statements include a calculation of the coverage covenant required pursuant to Section 6.01(d); provided, further that delivery of such financial statements shall be deemed satisfied when the same have been posted electronically on a website that the Lender has access to.

(ii) in addition, if specifically requested by the Lender in writing on or after the date on which the financial statements referred to in clause (i) have been posted, the City shall deliver, within five (5) Business Days of such request, a No Default Certificate certified to by the Chief Financial Officer, certifying that such officer has no knowledge of any Default or Event of Default or, if any such Default or Event of Default has occurred, during such period, setting forth a description of such Default or Event of Default and specifying the action or proposed action, if any, taken by the City to remedy the same;

iii) the City's annual appropriation ordinance, or, if such appropriation ordinance shall not include the budget of the Water Fund, the annual ordinance which includes the budget of the Water Fund; provided, that delivery of such ordinance shall be deemed satisfied when it has been posted electronically on a website the Lender has access to;

iv) as soon as available, and in any event within 30 days after the issuance thereof, copies of any disclosure documents distributed to the public in connection with any public issue of Revenues Secured Debt provided that delivery of any such disclosure document shall be deemed satisfied when the same are available on EMMA;

v) promptly upon the calculation thereof in accordance with Section 6.01(d) hereof, and in any event no later than the date of issuance of the financial statements for the Water Fund for each fiscal year, a calculation of the coverage ratio required under Section 6.01(d) hereof; and

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(vi) from time to time, with reasonable promptness, such additional information regarding the financial condition of the Water System or the Water Fund as the Lender may reasonably request in writing.

c) Book and Records; Inspection of Records. The City shall keep adequate records and books of account, in which complete entries will be made, reflecting all material financial transactions of the City and the Water System. Upon the reasonable request of the Lender and during normal business hours, the City will give the Lender, or any auditor, attorney-in-fact or counsel therefor, access to and permission to examine, copy or make excerpts from, any and all books, records and documents under control of the City Comptroller relating to the financial condition of the Water Fund, and to the extent permitted by applicable law, visit, the properties of the City and the Water System to discuss the affairs, finances and accounts of the Water System with any of the City's officer's, trustees and independent auditors (and by this provision the City authorizes said auditors to discuss with the Lender and its agents and representative the affairs, finances and accounts of the Water System).

d) Rate Covenant. The City covenants that Net Revenues Available for Bonds in each of its fiscal years shall equal an amount at least sufficient to satisfy the provisions of Section 5.02 of Part B of the Ordinance (regardless of whether all Obligations referred to in the Ordinance remain outstanding), and that the City will fix and establish and revise from time to time whenever necessary such rates and other charges for the use and operation of the Water System and for certain services rendered by the City in the operation thereof as will cause City to at all times be in compliance with foregoing covenant.

e) Compliance With Law. The City shall comply in all material respects with all laws, ordinances, orders, rules and regulations that may be applicable to it if the failure to comply would have a Material Adverse Effect on the security for the Loans, or the City's ability to repay when due its Obligations, including, without limitation, all OFAC Sanctions Programs to the extent applicable to the City and the Water System.

f) Notices. The City will promptly furnish, or cause to be furnished, to the Lender (i) notice of the occurrence of any (A) Event of Default or (B) Default or any default in the City's covenants under the Ordinance, (ii) notice of any litigation or administrative proceeding which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, (iii) notice of any change in any Ratings Agency's ratings of Revenues Secured Debt, and (iv) such further financial and other information with respect to the City, the Water System and its affairs as the Lender may reasonably request from time to time.

g) Maintenance of Approvals; Filings, Etc. The City shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary under any applicable Law for its execution and delivery of this Agreement and the Note to the extent that failure to do so could reasonably be expected to have a Material Adverse Effect.

*(h) Reserved.*

(i) Maintenance of Existence. The City shall at all times maintain its ownership of the Water System.

(j) Other Agreements. In the event that the City shall, directly or indirectly, enter into or otherwise amend any Bank Agreement or Swap Agreement secured by Net Revenues Available for Bonds which such Bank Agreement or

Swap Agreement provides such Person with different or additional covenants, events of default or greater rights and remedies than are provided to the Lender in this Agreement, the City shall provide the Lender with a copy of each such Bank Agreement or Swap Agreement and such different or additional covenants, events of default, automatic termination events or greater rights and remedies shall automatically be deemed to be incorporated into this Agreement and the Lender shall have the benefits of such different or additional covenants, events of default, automatic termination events or greater rights and remedies as if specifically set forth herein.

(k) Insurance. The City shall maintain and procure at all times insurance (or a system of self-insurance) with respect to the Property of the Water System against such risks as and in such amounts as the City deems prudent, taking into account insurance coverage for similar entities, and public liability insurance in such amounts as the City deems prudent taking into account insurance coverage for similar entities.

(l) Compliance with other Covenants. From and after the date hereof and so long as this Agreement is in effect, except to the extent compliance in any case or cases is waived in writing by the Lender, the City agrees that it will, for the benefit of the Lender, comply with, abide by, and be restricted by all the agreements, covenants, obligations and undertakings contained in the Ordinance, subject in each case to the cure periods, materiality standards and exceptions set forth therein, so long as any Obligations remain outstanding, which agreements, covenants, obligations and undertakings together with the related definitions, exhibits and ancillary provisions and cure provisions, materiality standards and exceptions applicable thereto, are incorporated herein by reference, mutatis mutandis, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety and were made as of the date hereof. No amendment to such agreements,\* covenants, obligations, undertakings or definitions shall be effective to amend the same as incorporated by reference herein without the prior written consent of the Lender.

(m) Disclosure to Participants. The City shall permit the Lender to disclose the financial information received by it pursuant to this Agreement to any Participants or assignees of the Lender in this Agreement, subject to confidentiality restrictions and use restrictions customary for financial institutions.

(n) Rating on Revenues Secured Debt. The City shall at all times maintain an unrevoked rating on its Revenues Secured Debt from at least one Rating Agency.

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(o) Issuance of Additional Revenues Secured Debt. The City shall issue additional Revenues Secured Debt only as permitted by the Senior Lien Ordinances, the Second Lien Bonds Master Indenture, the Second Lien Ordinances and the Subordinate Lien Ordinances. Notwithstanding the foregoing, prior to the issuance of any Revenues Secured Debt the City shall deliver a certificate, in form and substance satisfactory to the Lender, demonstrating compliance by the City with the applicable covenants set forth in each such ordinance or indenture. The City shall give the Lender at least 90 days prior written notice of its intention to issue additional Revenues Secured Debt in addition to (i) the Senior Lien Bonds which were outstanding in an aggregate principal amount of \$37,496,000 as of December 31, 2014, (ii) the Second Lien Bonds which were outstanding in an aggregate principal amount of \$2,258,610,000 as of December 31, 2014, (iii) I.E.P.A. Loans which were outstanding in an aggregate principal amount of \$85,665,000 as of December 31, 2014, and (iv) additional I.E.P.A. Loans in an aggregate principal amount not to exceed \$456,000,000.

(p) Priority of 2015 Line Subaccount. Any deposit of Net Revenues Available for Bonds to be made into the Line of Credit Notes Account shall be deposited first into the 2015 Line Subaccount as j and when required to pay the, Obligations when due, prior to depositing any such moneys in other subaccounts hereafter created in the Line of Credit Notes Account.

Section 6.02. Negative Covenants of the City. Until the full and final payment and satisfaction of all of the Obligations:

a) Amendment to Ordinance. The City shall not modify, amend or consent to any modification, amendment or waiver in any material respect of the Ordinance, which has an adverse effect on the rights, interests or security of the Lender without the prior written consent of the Lender.

b) Certain Information. The City shall not include any information concerning the Lender in any offering document that is not supplied in writing, or otherwise approved, by the Lender expressly for inclusion therein.

c) Federal Reserve Board Regulations. The City shall not use any portion of the proceeds of the Loans for the purpose of carrying or purchasing any Margin Stock and shall not incur any Debt which is to be reduced, retired or purchased by the City out of such proceeds.

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#### AHTICLi VII

##### Events of Default

Section 7.01. Events of Default. The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law) shall be an "Event of Default" hereunder, unless waived in writing by Lender:

- a) the City shall fail to pay the principal of or interest on any Loan when due;
- b) the City shall fail to pay any Obligation (other than the obligation to pay the principal of or interest on the Loans) and such failure shall continue for five (5) Business Days;
- c) any representation, warranty or statement made by or on behalf of the City in this Agreement or in any certificate or statement delivered pursuant hereto shall be incorrect or untrue in any material respect on the date when made or deemed to have been made; or the documents, certificates or statements of the City (including unaudited financial reports, budgets, projections and cash flows of the City) furnished to the Lender by or on behalf of the City in connection with the transactions contemplated hereby, when taken as a whole, are materially inaccurate in light of circumstances under which they were made and as of the date on which they were made;
- d) the City shall default in the due performance or observance of any term, covenant or agreement set forth in Section 6.01(b)(i), 6.01(b)(ii), 6.01 (d), 6.01(i), 6.01(k), 6.01(o) or 6.02 hereof, or (ii) the covenant set forth in Section 6.01(f)(i)(A) within five (5) Business Days;



e) the City shall default in the due performance or observance of (i) any other term, covenant or agreement contained in this Agreement and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof;

f) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any obligation of the City secured by a lien, charge or encumbrance upon all or any portion of the Net Revenues Available for Bonds; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the City seeks to have an order for relief entered with respect to it or the Water System or seeking to adjudicate it or the Water System insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or the Water System or its debts or those of the Water System; (iii) the City seeks appointment of a receiver, trustee, custodian or other similar official for itself or the Water System or for any substantial part of the City's property, or the City shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the City or the Water System any case, proceeding or other action of a nature referred to in clause (ii) above and the same shall

remain undismissed; (v) there shall be commenced against the City or the Water System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (vi) the City takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the City or the Water System shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(g) (i) any provision of this Agreement, the Note or the Ordinance related to

A) payment of principal of or interest on the Loans or any Revenues Secured Debt, or

B) the validity or enforceability of the pledge of the Net Revenues Available for Bonds shall at any time for any reason cease to be valid and binding on the City as a result of a finding or ruling by a court or Governmental Authority with competent jurisdiction, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable; or

ii) the validity or enforceability of any material provision of this Agreement, the Note or the Ordinance related to (A) payment of principal of or interest on the Loans or any Revenues Secured Debt, or (B) the validity or enforceability of the pledge of the Net Revenues Available for Bonds, shall be publicly contested by the City; or

iii) any other material provision of this Agreement, the Note or the Ordinance, other than a provision described in clause (i) or (ii) above, shall at any time for any reason cease to be valid and binding on the City as a result of a ruling or finding by a court or a Governmental Authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the City;

(h) (i) the City shall fail to pay when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) the principal of or interest or premium on any Revenues Secured Debt; or (ii) any event of default or termination event (other than a termination event with respect to any of the Water Swaps which will be terminated upon the application of the proceeds of a proposed Borrowing hereunder, shall

occur under any document, instrument, agreement evidencing Revenues Secured Debt or any Swap Agreement or document, instrument or agreement secured by Net Revenues Available for Bonds or any event of default or similar event shall occur or condition exist, the effect of which is to permit (determined without regard to whether any notice is required) any such Debt to become immediately due and payable as the result of the acceleration, mandatory redemption or mandatory tender of such Debt;

(i) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, which are not covered in full by insurance, with written acknowledgement of such coverage having been provided by the

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provider of such insurance coverage to the Lender, in an aggregate amount not less than \$10,000,000 shall be entered or filed against the City or against any of its Property which is used by or in conjunction with the Water System and payable from Net Revenues and remain unvacated, unbonded or unstayed for a period of sixty (60) days;

(j) any "event of default" shall occur under any other instrument or agreement authorizing the issuance of Revenues Secured Debt, including, without limitation, the Ordinance; or

(k) either of Fitch or S&P shall have downgraded its Rating below "BBB-" (or its equivalent) or "BBB-" (or its equivalent) respectively, or suspended or withdrawn its rating of the same on outstanding Debt of the City secured by Second Lien Bond Revenues.

Section 7.02. Remedies. If any Event of Default occurs and is continuing, the Lender may take any or all of the following actions:

a) declare the Commitment of the Lender to make Loans to be terminated, whereupon the Commitment will be terminated;

b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under the Note to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the City; and

c) exercise all rights and remedies available to the Lender under this Agreement or the Note.

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the City under the Bankruptcy Code of the United States or an Event of Default under Section 7.01(f) occurs, the obligation of the Lender to make Loans automatically terminates, and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Lender.

## Article VIII

### Miscellaneous

Section 8.0]. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Note, and no consent to any departure by the City therefrom, will be effective unless in writing signed by the Lender and the City, and each such waiver or consent will be effective only in the specific instance and for the specific purpose for which given. In the case of any such waiver or consent relating to any provision hereof, any Default or Event of Default so waived or consented to will be deemed to be cured and not continuing, but no such waiver or

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consent will extend to any other or subsequent Default or Event of Default or impair any right consequent thereto.

Section 8.02. Notices; Effectiveness; Electronic Communication, (a) Except in the case of notices and other communications expressly/permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, if to the City or the Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 8.02. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, will be deemed to have been given when received; notices and other communications sent by facsimile will be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, will be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, will be effective as provided in such subsection (c).

b) Electronic Communications. Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Lender.

c) Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website will be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication will be deemed to have been sent at the opening of business on the next business day for the recipient.

d) In no event shall the Lender or any of its Related Parties have any liability to the City or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the City's or the Lender's transmission of materials through the Internet.

e) Change of Address, Etc. Each of the City and the Lender may change its address, facsimile or telephone number for notices and other communications hereunder by written notice (including email) to the other parties hereto.

f) Reliance by the Lender. The Lender is entitled to rely and act upon any notices (including telephonic or electronic notices) purportedly given by or on behalf of the City even if (i) such notices were not made in a manner specified herein, were incomplete or were not

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preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The City shall indemnify the Lender and the Related Parties of the Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the City. All telephonic notices to and other telephonic communications with the, Lender may be recorded by the Lender, and each of the parties hereto hereby consents to such recording.

Section 8.03. No Waiver; Cumulative Remedies; Enforcement. No failure by the Lender to exercise, and no delay by the Lender in exercising, any right, remedy, power or privilege hereunder or under, the Note or the Ordinance will operate as a waiver thereof; nor will any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under the Note and the Ordinance, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 8.04. Costs and Expenses; Damage Waiver, (a) The City shall pay (i) promptly after closing and upon receipt of an invoice, all reasonable out-of-pocket expenses incurred by the Lender (including the reasonable fees, charges and disbursements of counsel for the Lender), in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the Note or any amendments, modifications or waivers of the provisions hereof or thereof, and (ii) all out-of-pocket expenses incurred by the Lender (including the fees, charges and disbursements of any counsel for the Lender), and shall pay all fees and time charges for attorneys who may be employees of the Lender, in connection with the enforcement or protection of its rights (A) in connection with this Agreement, the Note and the Ordinance, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the City. To the extent permitted by Law, the City shall indemnify the Lender (and any sub-agent thereof) (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnatee), and shall indemnify and hold harmless each Indemnatee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any Person (including the City) other than such Indemnatee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, the Note, the Ordinance or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Lender (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement, the Note and the Ordinance (including in respect of any matters addressed in Section 3.01), (ii) any Loan or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the City, and regardless of whether any

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Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee or (y) result from a claim brought by the City or any other party against an Indemnatee for breach in bad faith of such Indemnatee's obligations hereunder, under the Note or the Ordinance, if the City or other party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Without limiting the provisions of Section 3.01(c), this Section 8.04(b) will not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the City shall not assert, and hereby waives, and acknowledges that no other Person will have, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, the Note, the Ordinance or any agreement or instrument contemplated hereby,<sup>1</sup> the transactions contemplated hereby or thereby, any Loans or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement, the Note or the Ordinance or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

d) Payments. All amounts due under this Section shall be payable not later than sixty (60) days after demand therefor.

e) Survival. The agreements in this Section survive the termination of this Agreement and the repayment, satisfaction or discharge of all the other Obligations.

Section 8.05. Payments Set Aside. To the extent that any payment by or on behalf of the City is made to the Lender and such payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made.

*Section 8.06. Successors and Assigns; Participations.*

(a) Successors and Assigns Generally. The provisions of this Agreement are binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the City may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender. Nothing in this

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Agreement, expressed or implied, will be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, participants to the extent provided in subsection (b) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

b) Participations. The Lender shall have the right to grant participations in all or a portion of the Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it) to one or more other banking institutions (each such person a "Participant"), and such Participants shall be entitled to the benefits of this Agreement, including, without limitation, Sections 3.01 and 3.02 hereof, to the same extent as if they were a direct party hereto; provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the City, shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement, and provided further that no such Participant shall be entitled to receive payment hereunder of any amount greater than the amount which would have been payable had the Lender not granted a participation to such

Participant. Upon the grant of a participation of the Lender's rights and/or obligations under this Agreement, the Lender will promptly notify the City of the Participant and the proportionate amount granted under such participation.

c) Certain Pledges. The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under the Note) to secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

Section 8.07. Treatment of Certain Information; Confidentiality Each of the City and the Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under the Note or any action or proceeding relating to this Agreement or the Note or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the City and its obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating any Revenues Secured Debt or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with

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the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the City or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than the City. For purposes of this Section, "Information" means all information received from the City relating to the City, the Water System or the Water Fund, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the City, provided that, in the case of information received from the City after the date hereof, such information is clearly identified at the time of delivery as confidential. The Lender acknowledges that (a) the Information may include material non-public information concerning the City, the Water System or the Water Fund, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information.

Section 8.08. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which constitutes an original, but all of which when taken together constitutes a single contract. This Agreement, the Ordinance and the Note constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g., "pdf" or "tif") will be effective as delivery of a manually executed counterpart of this Agreement.

Section 8.09. Survival of Representations and Warranties. All representations and warranties made hereunder or any other document delivered pursuant hereto or thereto or in connection herewith or therewith survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Lender, regardless of any investigation made by the Lender or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default at the time of any Borrowing, and shall continue in full force and effect as long as

any Loan or any other Obligation hereunder remain unpaid or unsatisfied.

Section 8.10. Severability. If any provision of this Agreement, the Note or the Ordinance is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement, the Note and the Ordinance shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.11. Governing Law; Jurisdiction Etc. (a) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the state of Illinois without giving effect to conflicts of laws principles; provided that the obligations of city hereunder shall be governed by, and construed in accordance with, the Law of the State of Illinois. Each Party hereby waives any objection that

the Lender may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that such suit, action or proceeding brought in such a court has been brought in an inconvenient forum.

(b) Submission to Jurisdiction. Each Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of Illinois sitting in Cook County and of the United States District Court for the Northern District of Illinois, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Note, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such state courts or, to the fullest extent permitted by applicable Laws, in such Federal courts. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. nothing in this agreement, the note or the ordinance shall affect any right that the lender may otherwise have to bring any action or proceeding relating to this agreement, the note or the ordinance against City or any of its properties in the courts of any other jurisdiction.

(c) Service of Process. Each party hereto irrevocably consents to service of PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 8.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

(d) To the fullest extent permitted by law, the City represents that it is subject to suit with respect to its Obligations under this Agreement and the Note and that no sovereign immunity exists under Illinois law, as of the date that this Agreement is executed and delivered by the City, with respect to the City's contractual obligations under this Agreement and the Note. Notwithstanding any other provision of this Agreement, (i) in accordance with the laws of the State of Illinois, the City shall not waive any sovereign immunities from time to time available under the laws of the State of Illinois as to jurisdiction, procedures and remedies, (ii) subject to clause (i) above, this Agreement and the Note will otherwise be fully enforceable as a valid and binding contract as and to the extent provided by applicable law and, the City may not claim

sovereign immunity with respect to any Obligations under this Agreement or the Note; and  
(iii) nothing in this Agreement or the Note is deemed to create any rights of action for persons or entities not a party to this Agreement or the Note or to circumvent any of the immunities contained in the Local Government and Governmental Employees Tort Immunity Act, 745 ILCS 10/1-101 ci seq., as amended.

Section 8.12. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTE OR THE ORDINANCE OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS

REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE NOTE BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.13. No Advisory or Fiduciary Relationship. The City acknowledges and agrees that its dealing with the Lender are solely in the nature of a debtor/creditor relationship and that in no event will the Lender be considered to be a partner or joint venturer of the City. Also, the City represents and warrants that it has independently evaluated the business transaction and has not relied upon, nor will it rely upon, the expertise, advice or other comments or statements of the Lender (including agents of the Lender), if any, in deciding to pursue such undertaking. As the City is experienced in business, in no event shall the Lender owe any fiduciary or similar obligations to it in connection with the subject transaction.

Section 8.14. Electronic Execution of Certain Documents. The words "execute," "execution," "signed," "signature," and words of like import in any in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Lender, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 8.15. USA Patriot Act. The Lender is subject to the Patriot Act and hereby notifies the City that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Lender to identify the City in accordance with the Act. The City shall, promptly following a request by the Lender, provide all documentation and other information that the Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

Section 8.16. Time of the Essence. Time is of the essence of this Agreement, the Note and the Ordinance.

Section 8.17. Entire Agreement. THIS AGREEMENT, THE NOTE AND THE ORDINANCE represent the final agreement among the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements among the parties.



Section 8.18. No Third-Party Rights. Nothing in this Agreement, whether express or implied, shall be construed to give to any Person other than the parties hereto any legal or equitable right, remedy or claim under or in respect of this Agreement, which is intended for the sole and exclusive benefit of the parties hereto.

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Section 8.19. Source of Payments. The obligations of the City to make payments with respect to Obligations are limited solely to and shall not exceed the funds available from time to time for such purpose in the Line of Credit Notes Account. No obligation of the City with respect to Obligations shall constitute indebtedness or a loan of credit of the City within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the Obligations. No covenant or agreement contained in this Agreement or the Note shall be deemed to be the covenant or agreement of any official, officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Council nor any official executing this Agreement or the Note shall be subject to any personal liability or accountability by reason of the execution and delivery of this Agreement or the Note

Section 8.20. Establishment of 2015 Line Subaccount. Pursuant to Section 4.03 of Part B of the Ordinance, the City hereby establishes within the Line of Credit Notes Account the "2015 Line Subaccount." Net Revenues Available for Bonds shall be transferred to the Line of Credit Notes Account, in the order provided in Section 4.03 of Part B of the Ordinance, in such amounts and at such times to provide for payment when due of any Commercial Paper Notes and Line of Credit Notes. On the Business Day immediately preceding each Interest Payment Date and the Commitment Termination Date, there shall be transferred to the 2015 Line Subaccount from the Line of Credit Notes Account (or from other Net Revenues Available for Bonds or the proceeds of any Revenues Secured Debt, all as may be directed by an Authorized Officer), the amounts required hereunder to be paid to the Lender on such Interest Payment Date or Commitment Termination Date. The City shall transfer funds from the 2015 Line Subaccount (or from other Net Revenues Available for Bonds or the proceeds of any Revenues Secured Debt, as may be directed by an Authorized Officer) to pay to the Lender any Obligations when due.

[Signature Pages to Follow]

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**In Witness Whereof, the parties he; as of the date first above written.**

**Title: Chief Financial Officer**

**Morgan Stanley Bank, NrA.**

**By: [Signature]**  
**Name: Kevin Schwartz; Title: Authorized Signatory**

In Witness Whereof, the parties hereto have caused this Agreement to be duly executeji as of the date first above written.

City op Chicago

By:

Name: Carole L. Brown Title: Chief Financial Officer

Morgan Stanley Bank.N.A.

Name: Kevin Schwartz Title: Authorized Signatory

*fSig/Kiinre Page, to Water Revolving Credit Agreement!*

EXHIBIT C Line of Credit Note See attached

Line of Credit Note

\$125,000,000

October 16, 2015

For Value Received, the undersigned City of Chicago (the "City"), hereby promises to pay to Morgan Stanley Bank, N.A. or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to the City under that certain Water Revolving Credit Agreement, dated as of October 16, 2015 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), between the City and the Lender.

The City promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Lender in Dollars in immediately available funds as set forth in the Agreement. If any amount is not paid in full when due hereunder, such unpaid amount will bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is the Note referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. The Loans made by the Lender will be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The City, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

This Note, together with interest hereon and any other amounts payable with respect hereto, is a limited obligation of the City secured by and payable solely from all sums, amounts, funds or moneys which may be withdrawn from the Line of Credit Notes Account created and established within the Water Fund pursuant to the provisions of the Ordinance. This Note, together with interest hereon and any other amounts payable with respect hereto, shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness and shall have no claim to be paid from taxes of the City.

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This Note shall be governed by, and construed in accordance with, the laws of the State of Illinois.

City of Chicago

