
ORDINANCE NUMBER _____

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUE OF NOT TO EXCEED \$7,000,000 SUBORDINATED WATER AND SEWER SYSTEM REVENUE BONDS, IEPA THIRD LIEN, EXCESS FLOW SEWER PROJECT, IN ONE OR MORE SERIES, OF THE COUNTY OF LAKE, ILLINOIS, FOR THE PURPOSE OF CONSTRUCTING IMPROVEMENTS TO THE SANITARY SEWER PORTION OF THE EXISTING SYSTEM OF SAID COUNTY, PRESCRIBING ALL THE DETAILS OF SAID BONDS, AND PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF THE SYSTEM OF SAID COUNTY.

AS ADOPTED BY THE COUNTY BOARD
OF THE COUNTY ON THE ____ DAY OF
_____ 2014.

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(This Table of Contents is for convenience only
and is not a part of the ordinance.)

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PREAMBLES

WHEREAS

A. The County of Lake, Illinois (the "*County*"), owns and operates a combined waterworks and sewerage system (the "*System*" as more completely defined in the following text) under and in accordance with the provisions of Division 5-15 of the Counties Code of the State of Illinois (55 ILCS 5/1-1001 *et seq.*) (the "*Act*"), as amended, and all laws supplementary thereto, including the Local Government Debt Reform Act, as amended, and the other Omnibus Bond Acts of the State of Illinois (collectively, the "*Applicable Law*").

B. THE County Board of the County (the "*County Board*" or the "*Board*"), by an Ordinance enacted October 13, 1964 (as subsequently amended June 10, 1968, November 13, 1990, and June 24, 1993, and as supplemented by additional series ordinances) (the "*Senior Lien Ordinance*"), did authorize the acquisition and construction of the System in and for the County and did authorize the issuance of an Initial Series of Bonds, and did set forth the terms securing the bonds, including the power to issue Additional Bonds pursuant to Series Ordinances (defined in the Senior Lien Ordinance).

C. The County Board has enacted such Series Ordinances and caused the County to issue the following described outstanding water and sewer system revenue bonds:

SERIES A OF 2006
SERIES B OF 2006
SERIES A OF 2010

on a parity with the Initial Series of Bonds and with each other and has also caused the issue of Water and Sewer System Subordinate Revenue Bonds Series 2005S-1, 2005S-2 and 2009S (which, together with bonds which may be issued in the future on a parity with said Series 2005S-1, 2005S-2 and 2009S Bonds, collectively, and which remain outstanding as provided, being the “*Second Lien Bonds*”).

D. The County Board, on the advice of the Department of Public Works of the County, has heretofore determined and does hereby determine that it is advisable, necessary, and in the best interests of the County, its residents, and the users of its System, in order to promote the public health, welfare, safety, and convenience, to undertake improvements and extensions of the System, including the improvements and extensions known as the Round Lake Sanitary District Excess Flow Improvements described as follows:

COMPONENT	ESTIMATED CONSTRUCTION COST
General Conditions	\$ 254,500
Demolition	188,000
Earthwork	235,000
Diversion Pump Station	1,402,600
Vortex Swirl Tank	1,020,900
Lagoon #1 Effluent Structure Modifications	50,200
Site Utilities/Piping	610,200
Lagoon #1 Aerators	113,100
New Electrical Controls	522,000
Site Electrical Upgrades	676,020
Sluice Gates	238,900
Landscaping	207,600
Perimeter Security Fencing	353,500
Site Access Roads	190,750
Miscellaneous Site Work	74,875
Contingency	613,815
Design Engineering	439,700
Construction Engineering Services	<u>249,700</u>
TOTAL	\$7,444,360

(the “*Northwest Regional Excess Flow Project*”), as presented to the County Board and in effect and on file in the records of the County Clerk, at an estimated construction cost of \$7,444,360.

E. Additional expenses and contingencies related to the Northwest Regional Excess Flow Project include legal, financial, accounting, and engineering services related to the accomplishment of the Northwest Regional Excess Flow Project and the issuance of bonds therefor; bond discount; bond reserve account funding; capitalized bond interest; bond registrar, paying agent, and other related banking fees; printing and publication costs; and other miscellaneous costs, resulting in an aggregate estimate of cost of \$7,600,000, of which the County has funds on hand of \$600,000.

F. The County and the Round Lake Sanitary District (the “*RLSD*”) have previously entered into an intergovernmental agreement (the “*IGA*”) granting the County rights to and

control of certain property of the RLSD (the “*RLSD Property*”), and a portion of the Northwest Regional Excess Flow Project will be located on the RLSD Property.

G. The IGA does not terminate until on or after the final maturity of the IEPA Series Excess Flow Project Bonds, as hereinafter defined.

H. The Senior Lien Ordinance contains the following provision in Article IX, Section 921—Additional Bonds:

Nothing herein contained shall prevent the County from issuing bonds, notes or other obligations which are a charge upon the Revenues of the System junior, inferior and subordinate to the payments to be made into the Bond Fund for the payment of the Bonds and the Depreciation, Extension and Improvement Fund.

I. Accordingly, the County has issued the Second Lien Bonds, and in addition, the County is authorized to issue its third lien revenue bonds subordinated to the Second Lien Bonds.

J. In order to raise the funds required for the Northwest Regional Excess Flow Project, it is necessary for the County to authorize the borrowing of \$7,000,000, issuable as third lien subordinated revenue bonds payable from the revenues of the System.

K. Pursuant to Applicable Law and the Senior Lien Ordinance and the ordinance(s) authorizing the Second Lien Bonds (collectively, the “*Second Lien Ordinance*”), the third lien subordinated revenue bonds as provided for in this Ordinance may be issued by authority hereof with no conditions precedent.

L. The Environmental Protection Agency of the State of Illinois (the “*IEPA*”) either has offered or may be expected to offer to make a loan or loans to the County, to be evidenced by the issuance of subordinated water and sewer system revenue bonds, IEPA third lien, as authorized, and made through the “Water Pollution Control Loan Program” of the State (collectively, the “*RLF*”), for the purpose of paying certain eligible costs of the Northwest Regional Excess Flow Project; and it is necessary and advisable to authorize the acceptance of

said loan or loans and execution of appropriate loan documents, from time to time, as may be applicable, and the issuance of revenue bonds in evidence of such loans.

NOW THEREFORE Be It Ordained by the County Board of The County of Lake, Illinois, as follows:

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

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

Act

Applicable Law

Board

County

County Board

IEPA

IGA

Northwest Regional Excess Flow Project

RLF

RLSD

RLSD Property

Second Lien Bonds

Second Lien Ordinance

Senior Lien Ordinance

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

“Bond Register” means the Books of the County kept by the Bond Registrar to evidence the registration and transfer of the IEPA Series Excess Flow Project Bonds.

“Bond Registrar” means the Director of the Department of Public Works, in his or her capacity as bond registrar and paying agent hereunder, or successor designated hereunder.

“Code” means the Internal Revenue Code of 1986.

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

“Defeasance Obligations” means obligations which are non-callable or otherwise subject to prepayment or acceleration and which are lawful investments for the County when purchased and limited to obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including, without limitation, such obligations when issued by:

Farmers Home Administration

General Services Administration

Guaranteed Title XI financing

Government National Mortgage Association (GNMA)

“Designated Official” means any of the County Board Chairman, Director of the Department of Public Works, the County Administrator, or County Treasurer.

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

“IEPA Series Excess Flow Project Bonds” means the not to exceed \$7,000,000 Subordinated Water and Sewer System Revenue Bonds, IEPA Third Lien, Excess Flow Project, authorized to be issued in one or more series by this Ordinance.

“Maximum Annual Debt Service” means an amount of money equal to the highest future principal and interest requirement of Outstanding Third Lien Bonds required to be deposited into a Third Lien Bond and Interest Account in any Fiscal Year, including and subsequent to the Fiscal Year in which the computation is made; *provided, however*, that any Outstanding Third Lien Bonds required to be redeemed pursuant to mandatory redemption from said Third Lien Bond and Interest Account shall be treated as falling due on the date required to be redeemed (except in the case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Third Lien Bonds; and, *provided, further*, that interest shall be calculated as described in the definition of Current Debt Service Requirement.

“Net Revenue” is as defined in the Senior Lien Ordinance, as follows:

“Net Revenue” shall mean Revenues of the System after deducting Operating Expenses.

“Operating Expenses” are as defined in the Senior Lien Ordinance, as follows:

“Operating Expenses” shall mean the current expenses, paid or accrued, of operation, maintenance and ordinary current repairs of the System and shall include, without limiting the generality of the foregoing, insurance premiums, administrative expenses of the County and the Department relating solely to the System (including engineering, legal and accounting fees and expenses and fees and expenses of the Paying Agents). “Operating Expenses” shall not include any allowance or provision for depreciation, amortization or similar charges or any costs or expenses for new construction or renewals or replacements of capital assets of the System.

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

“Parity Third Lien Bonds” means bonds to be issued subsequent in time to the IEPA Series Excess Flow Project Bonds and which will share ratably and equally in the Net Revenue with such series of bonds to-wit, from the Third Lien Bond and Interest Account, as defined, hereunder.

“Qualified Investments” means such investments as are lawful for the County at the time of purchase and are further limited to those investments permitted by County investment policy.

“Revenue Fund” means the Revenue Fund now in existence as established in the Senior Lien Ordinance.

“Revenues” means all revenues, rates, fees, charges, rents, contract payments, monies, interest and realized income derived from the use and operation of the System.

“Senior Lien Bonds” means the bonds defined as the “Bonds” in the Senior Lien Ordinance payable from the “Bond Fund” defined in such Ordinance.

“Surplus Account” means the Surplus Account of the Revenue Fund.

“System” is as defined in the Senior Lien Ordinance, as follows:

“System shall mean the Initial Project, as described in Section 105, and all Sewerage Systems and Waterworks Systems, and parts thereof, which the County shall determine or be required to operate in combination therewith pursuant to the provisions of this Ordinance, and all plants, works, instrumentalities or parts thereof and appurtenances thereto, including sewage treatment plants, collecting, intercepting and outlet sewers, lateral sewers and drains, force mains, conduits, pumping stations, ejector stations, water mains, hydrants, meters, valves, standpipes, storage tanks, water pumps, intakes, wells, impounding reservoirs, machinery, purification plants, softening apparatus, lands, easements, rights-in-land, rights-of-way, contract rights, franchises, equipment and any other property real, personal or mixed, incidental to and included in such properties, or parts thereof, and any improvements, additions, extensions and betterments, now or hereafter acquired, constructed or made by the County as a part of such System.

“Tax-exempt” means the status of interest paid and received on an obligation as excludible from the gross income of the owners thereof under Section 103 of the Code or successor provisions for federal income tax purposes except to the extent that such interest will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations.

“Third Lien Bond and Interest Account” means the Third Lien Bond and Interest Account provided for in this Ordinance.

“Third Lien Bond Reserve Account” means the Third Lien Bond Reserve Account provided for in this Ordinance.

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

Section 2. Incorporation of Preambles, Authority. The County Board hereby finds that the recitals contained in the preambles to this Ordinance are full, true and correct and does

incorporate them into this Ordinance by this reference. The authority to issue the IEPA Series Excess Flow Project Bonds is the Act as supplemented by other Applicable Law.

Section 3. Provide Northwest Regional Excess Flow Project; Issue Bonds. It is necessary and in the best interests of the County to provide for the Northwest Regional Excess Flow Project for the public health, safety and welfare, in accordance with the plans therefor, as described. For the purpose of providing a part of the costs of the Northwest Regional Excess Flow Project, the IEPA Series Excess Flow Project Bonds are herein provided for.

Section 4. Useful Life. The County Board does hereby determine the period of usefulness of the System, by weighted average life, to be not less than 25 years from the date of the completion of the Northwest Regional Excess Flow Project.

Section 5. Bond Details. For the purpose of paying a part of the costs of providing for the Northwest Regional Excess Flow Project, there shall be issued and sold the IEPA Series Excess Flow Project Bonds in the principal amount of not to exceed \$7,000,000. The IEPA Series Excess Flow Project Bonds shall be issuable in one or more series. The amount of any such series of IEPA Series Excess Flow Project Bonds shall be sufficient to provide for a single loan from the IEPA for the Northwest Regional Excess Flow Project pursuant to a loan agreement as offered by the IEPA (a "*Loan Agreement*") for such portion of the Northwest Regional Excess Flow Project, and which series shall not exceed the balance of the IEPA Series Excess Flow Project Bonds herein authorized. The details of the IEPA Series Excess Flow Project Bonds shall be as follows: The IEPA Series Excess Flow Project Bonds shall be issued as a single Bond for each series payable to the IEPA or registered assigns as provided therein. The maximum principal face amount (the "*Face Amount*") of each IEPA Series Excess Flow Project Bond shall be shown on the face of the IEPA Series Excess Flow Project Bond as noted above, but only so much of the Face Amount as is shown as advanced by the IEPA and received

for value (the “*Outstanding Principal Amount*” as subject to reduction as hereinbelow provided), as evidenced by the IEPA Series Excess Flow Project Bond, shall be payable. Such advances shall be in integral multiples of \$100. Each IEPA Series Excess Flow Project Bond shall be designated “Subordinated Water and Sewer System Revenue Bond, IEPA Third Lien Excess Flow Project Series [IEPA Loan Agreement Number Here]”. Each IEPA Series Excess Flow Project Bond shall be dated as of its date of authentication. The Outstanding Principal Amount of any IEPA Series Excess Flow Project Bond from time to time outstanding shall bear interest at the rate of not to exceed 3% per annum. The Outstanding Principal Amount of each IEPA Series Excess Flow Project Bond shall become due and payable pursuant to a schedule of repayment (the “*Repayment Schedule*”) determined as set forth in the pertinent Loan Agreement; *provided, however,* that the Repayment Schedule, in order to be enforceable, shall comply with each of the following terms:

(1) The Repayment Schedule shall be set forth in or as part of the IEPA Series Excess Flow Project Bond;

(2) The Repayment Schedule shall provide for substantially level semiannual installments of principal and interest (collectively) within a range of \$50; and

(3) The Repayment Schedule shall provide for complete repayment of each IEPA Series Excess Flow Project Bond in not less than 35 years from its Dated Date as provided in the Loan Agreement approved for such IEPA Series Excess Flow Project Bond (such complete repayment is expected to be approximately 20 (twenty) years from the date of operation of the portion of the Northwest Regional Excess Flow Project for which each series is issued).

The Outstanding Principal Amount at any time shall be made up of (a) advances less the sum of (b)(i) installment payments and (ii) redemptions and prepayments. Each IEPA Series

Excess Flow Project Bond shall bear interest on the Outstanding Principal Amount from time to time at the rate aforesaid, in each case from the time advanced until paid or duly provided for, such interest computed on the basis of a 365-day or 366-day year, as applicable, and being payable on the dates provided in the Repayment Schedule. The interest on and all installments of principal of each IEPA Series Excess Flow Project Bond shall be payable in lawful money of the United States of America upon presentation at the office of the Bond Registrar; *provided, however,* that so long as any agency of the State of Illinois or of the U.S. Government or a financial institution is the registered owner as shown by the Bond Register, then such payments shall be made by check or draft of the Bond Registrar to the registered owner, or by wire transfer of funds, by mutual agreement, which check or draft or wire transfer of funds shall be payable in lawful money of the United States of America, and mailed not less than four business days prior to the date when due to the address of the Registered Owner as set forth in the Bond Register, or at such other address as is furnished in writing to the Bond Registrar; and, *provided, further,* that the final installment of principal and interest, when due, shall only be payable upon presentation of a IEPA Series Excess Flow Project Bond. Each IEPA Series Excess Flow Project Bond and the installments thereon are subject to redemption and prepayment prior to maturity, at the option of the County, in whole or in part, and if in part in integral multiples of \$1,000, and applicable to installments in the inverse order of maturity or as otherwise agreed by the County and the holder of the IEPA Series Excess Flow Project Bond at such time, from any available funds, on any date, at the redemption price of par plus accrued interest to the date fixed for redemption. Unless waived by the Bond Registrar, the County shall notify the Bond Registrar of the redemption and prepayment of the IEPA Series Excess Flow Project Bond not less than 45 days prior to the date of redemption. Unless waived by the registered owner of the IEPA Series Excess Flow Project Bond to be redeemed, official notice of any such redemption and prepayment shall be given by

the Bond Registrar on behalf of the County by mailing the redemption notice by registered or certified mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the IEPA Series Excess Flow Project Bond at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. All official notices of redemption shall include at least the information as follows:

- (1) the redemption date and the amount of the IEPA Series Excess Flow Project Bond to be redeemed;
- (2) the redemption price;
- (3) a statement that on the redemption date the redemption price will become due and payable upon such IEPA Series Excess Flow Project Bond or portion so redeemed and that interest thereon shall cease to accrue from and after said date; and
- (4) the place where such IEPA Series Excess Flow Project Bond is to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar;

Prior to any redemption date, the County shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of the IEPA Series Excess Flow Project Bond or portion so redeemed. Official notice of redemption having been given as aforesaid, the IEPA Series Excess Flow Project Bond or portion so redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the County shall default in the payment of the redemption price) such IEPA Series Excess Flow Project Bond or portion so redeemed shall cease to bear interest. Upon surrender of the IEPA Series Excess Flow Project Bond for redemption and prepayment in accordance with said notice, such IEPA Series Excess Flow Project Bond or portion so redeemed shall be paid by the Bond

Registrar at the redemption price. A notation of any partial prepayment shall be made upon a schedule attached to the IEPA Series Excess Flow Project Bond.

Section 6. Amendment. The rights and obligations of the County and of the owners of Outstanding Third Lien Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the County Board with the written consent of the registered owners of not less than 2/3 of the principal amount of all Outstanding Third Lien Bonds affected (excluding any of said bonds owned by or under the control of the County); *provided, however,* that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate or premium on, or permit the creation of a preference or priority of any Outstanding Third Lien Bond or Outstanding Third Lien Bonds over any other Outstanding Third Lien Bond or Outstanding Third Lien Bonds, or otherwise alter or impair the obligation of the County to pay the principal of and interest and premium on any of the Outstanding Third Lien Bonds at the time, place, rate, and in the currency provided therein, or alter or impair the obligations of the County with respect to registration, transfer, exchange or notice of redemption of Bonds, without the express consent of the registered owners of all the Outstanding Third Lien Bonds affected; nor shall any such modification or amendment reduce the percentage of the registered owners of Outstanding Third Lien Bonds of each lien priority affected required for the written consent to such modification or amendment without the consent of the registered owners of all of the Outstanding Third Lien Bonds affected. Ownership of Bonds for purposes of consent by the registered owners of the IEPA Series Excess Flow Project Bonds thereof shall be conclusively proved by the Bond Register. In obtaining or receiving the consents of registered owners, the County may establish reasonable rules of procedure including, without limitation, rules relating to (i) a record date to fix the registered owners who are entitled to vote, (ii) solicitation of proxies and (iii) a meeting of the registered owners for the taking of

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

Section 7. Execution; Authentication. The IEPA Series Excess Flow Project Bonds shall be executed on behalf of the County with the manual or facsimile signature of the Chairman of the County Board and attested with the manual or facsimile signature of the County Clerk, as they may determine, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the County. In case any officer whose signature shall appear on any IEPA Series Excess Flow Project Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. All IEPA Series Excess Flow Project Bonds shall have thereon a certificate of authentication substantially in the form hereinafter set forth duly executed by the Bond Registrar as authenticating agent of the County and showing the date of authentication. No IEPA Series Excess Flow Project Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this ordinance. The certificate of authentication on any IEPA Series Excess Flow Project Bond shall be deemed to have been executed by it if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the IEPA Series Excess Flow Project Bonds issued hereunder.

Section 8. Registration and Transfer of Bonds; Persons Treated as Owners. The County shall cause books (the Bond Register) for the registration and for the transfer of all IEPA Series Excess Flow Project Bonds as provided in this Ordinance to be kept at the principal office of the Bond Registrar, who is hereby constituted and appointed the registrar of the County for the each of the series of the IEPA Series Excess Flow Project Bonds, respectively. Any IEPA Series Excess Flow Project Bond may be transferred as a whole but not in part (but not exchanged), but only in the manner, subject to the limitations, and upon payment of the charges as set forth in this Ordinance. Upon surrender of such IEPA Series Excess Flow Project Bond at the principal office of the Bond Registrar, accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or an attorney for such owner duly authorized in writing, the Bond Registrar shall register the IEPA Series Excess Flow Project Bond in the name of the new registered owner on the registration grid provided therein, and shall also enter the name and address of the new registered owner in the Bond Register. The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business on the 15th day of the calendar month preceding an interest payment date on such Bond to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Bonds of the same series or to transfer or exchange any Bond all or a portion of which has been called for redemption. The execution by the County of any fully registered IEPA Series Excess Flow Project Bond shall constitute full and due authorization of such IEPA Series Excess Flow Project Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond. The person in whose name any IEPA Series Excess Flow Project Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any IEPA Series Excess Flow Project Bond shall be made only to or

upon the order of the registered owner thereof or the owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. No service charge shall be made for any transfer or exchange of IEPA Series Excess Flow Project Bonds, but the County or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of IEPA Series Excess Flow Project Bonds except in the case of the issuance of a IEPA Series Excess Flow Project Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

Section 9. Form of Bond. The IEPA Series Excess Flow Project Bonds shall be in substantially the form hereinafter set forth.

THIS BOND IS TRANSFERABLE ONLY AS A WHOLE.

REGISTERED
BOND NUMBER:
ONE

AUTHORIZED MAXIMUM
FACE AMOUNT:
\$ _____

**UNITED STATES OF AMERICA
STATE OF ILLINOIS
THE COUNTY OF LAKE
SUBORDINATED WATER AND SEWER SYSTEM REVENUE BOND
IEPA THIRD LIEN, EXCESS FLOW PROJECT SERIES
IEPA LOAN AGREEMENT L17-___**

KNOW ALL PERSONS BY THESE PRESENTS that The County of Lake, Illinois, a municipality and political subdivision of the State of Illinois (the "*County*"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner, solely from the Third Lien Bond and Interest Account of the (Water and Sewer System) Revenue Fund of the County as hereinafter set forth and not otherwise, the Outstanding Principal Amount of this Bond. The "*Outstanding Principal Amount*" is that amount, not to exceed the Face Amount of this Bond as set forth above, shown as advanced from time to time and received by the County for value, as is noted on this Bond in the form of Advances for Value hereon. The Outstanding Principal Amount is subject to reduction for redemption and prepayment thereof as hereinafter provided. And the County promises to pay from such account and fund, and not otherwise, interest on the Outstanding Principal Amount at the rate of ___% per annum. The Outstanding Principal Amount of this Bond shall become due and payable pursuant to the schedule of repayment (the "*Repayment Schedule*") set forth herein and determined in accordance with the Loan Agreement hereinafter defined.

This Bond shall bear interest on the Outstanding Principal Amount from time to time at the rate aforesaid, in each case from the time advanced until paid or duly provided for, such interest computed on the basis of a 365-day or 366-day year, as applicable, and being payable on the dates provided in the Repayment Schedule. The interest on and all installments of principal

of this Bond shall be payable in lawful money of the United States of America upon presentation at the office of the Director of the Department of Public Works, currently at 650 West Winchester Road, Libertyville, Illinois, as bond registrar and paying agent; *provided, however,* that so long as any agency of the State of Illinois or of the U.S. Government or a financial institution is the Registered Owner as shown by the Bond Register, then such payments shall be made by check or draft of the Bond Registrar to the Registered Owner or by wire transfer of funds, by mutual agreement, which check or draft or wire transfer of funds shall be payable in lawful money of the United States of America, and mailed not less than four business days prior to the date when due to the address of the Registered Owner as set forth in the Bond Register, or at such other address as is furnished in writing to the Bond Registrar; but, *provided, further,* that the final installment of principal and interest, when due, shall only be payable upon presentation of this Bond.

This Bond and the installments hereon are subject to redemption and prepayment prior to maturity, at the option of the County, in whole or in part, and if in part in integral multiples of \$1,000, and applicable to installments in the inverse order of maturity or as otherwise agreed by the County and the holder of the Bond at such time, from any available funds, on any date, at the redemption price of par plus accrued interest to the date fixed for redemption.

Unless waived by the registered owner of the Bond to be redeemed, official notice of any such redemption and prepayment shall be given by the Bond Registrar on behalf of the County by mailing the redemption notice by registered or certified mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall include at least the information as follows:

- (1) the redemption date and the amount of the Bond to be redeemed;
- (2) the redemption price;
- (3) a statement that on the redemption date the redemption price will become due and payable upon such Bond or portion so redeemed and that interest thereon shall cease to accrue from and after said date; and
- (4) the place where such Bond is to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

Prior to any redemption date, the County shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of this Bond or portion so redeemed.

Official notice of redemption having been given as aforesaid, this Bond or portion so redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the County shall default in the payment of the redemption price) this Bond or portion so redeemed shall cease to bear interest.

Upon surrender of this Bond for redemption and prepayment in accordance with said notice, this Bond or portion so redeemed shall be paid by the Bond Registrar at the redemption price. A notation of any partial prepayment shall be made upon a schedule attached to this Bond.

This Bond may be transferred as a whole but not in part, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the hereinafter defined Ordinance. Upon surrender hereof at the office of the Bond Registrar, accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the Registered Owner or an attorney for such owner duly authorized in writing, the Bond Registrar shall register this Bond in the name of the new Registered Owner on the

registration grid provided herein, and shall also enter the name and address of the new registered owner in the Bond Register.

The Bond Registrar shall not be required to transfer this Bond during the period from the close of business on the 15th day of the calendar month preceding an interest payment date on this Bond to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of this Bond or to transfer any Bond all or a portion of which has been called for redemption.

The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner hereof for all purposes, and payment of the principal of or interest hereon shall be made only to or upon the order of the Registered Owner hereof or the owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid.

This Bond is payable solely from the Net Revenue, as defined in the Ordinance, of the System, as defined in the Ordinance, available in the Surplus Account of the Revenue Fund, as defined in the Ordinance, and not otherwise, and is issued under authority of the provisions of the Counties Code of the State of Illinois (55 ILCS 5/1-1001 *et seq.* [the "*Act*"]), as amended, and all laws supplementary thereto, including the Local Government Debt Reform Act, as amended, and all other Omnibus Bond Acts of the State of Illinois (collectively, the "*Applicable Law*"), for the purpose of paying a part of the costs of a certain Northwest Regional Excess Flow Project relating to construction of improvements to the System. All payments to be made with respect to this Bond are subject and subordinate to all of the following: (a) all payments to be made on the Senior Lien Bonds, as defined in the Ordinance, and all account deposits or requirements pursuant to the Senior Lien Ordinance, as supplemented or amended, including as supplemented or amended in the future; (b) all payments to be made on the Second Lien Bonds,

as defined in the Ordinance, and all account deposits or requirements pursuant to the Second Lien Ordinance, as supplemented or amended, including or supplemented or amended in the future. This Bond is issued pursuant to Ordinance Number _____ passed by the County Board of the County on the ____ day of _____ 2014 (the “*Ordinance*”) and pursuant to a Loan Agreement (the “*Loan Agreement*”), as authorized by the Ordinance, by and between the County and the Environmental Protection Agency of the State of Illinois, as initial purchaser for value and Registered Owner hereof. Reference is hereby expressly made to the Senior Lien Ordinance, the Second Lien Ordinance, the Ordinance, and Loan Agreement for further definitions and terms and to all the provisions of which the Registered Owner by the acceptance of this Bond assents. THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

The rights and obligations of the County and of the Registered Owners hereof may from time to time be modified or amended by a supplemental ordinance adopted by the County Board with the written consent of the Registered Owners of not less than 2/3 of the principal amount of all Outstanding Third Lien Bonds affected (excluding any of said bonds owned by or under the control of the County); *provided, however*, that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate or premium on, or permit the creation of a preference or priority of any Outstanding Third Lien Bond or Outstanding Third Lien Bonds over any other Outstanding Third Lien Bond or Outstanding Third Lien Bonds, or otherwise alter or impair the obligation of the County to pay the principal of or interest or redemption premium on any of the Outstanding Third Lien Bonds at the time, place, rate and in the currency provided therein or alter or impair the obligations of the County with respect to registration, transfer, exchange or notice of redemption of Bonds, without the express consent of the registered owners of all the Outstanding Third Lien Bonds

affected; nor shall any such modification or amendment reduce the percentage of the registered owners of Outstanding Third Lien Bonds of each lien priority affected required for the written consent to such modification or amendment without the consent of the registered owners of all of the Outstanding Third Lien Bonds.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond, have been done and have happened and have been performed in regular and due form of law, and that provision has been made for depositing into the Revenue Fund of the County the amounts and Revenues so pledged thereto to be applied in the manner provided, and the County hereby covenants and agrees that it shall establish reasonable rates, fees and charges for use and service of the System which shall be sufficient at all times to pay Operating Expenses of the System and to provide in each Fiscal Year Net Revenue in the amount not less than sufficient to pay all interest and principal of all bonds payable by their terms from the Net Revenue and to comply with all of the covenants of and to maintain the accounts created by the Senior Lien Ordinance, the Second Lien Ordinance, and the Ordinance.

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

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

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

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

IN WITNESS WHEREOF The County of Lake, Illinois, by its County Board, has caused this Bond to be executed with the duly authorized manual or facsimile signature of its County Board Chairman and attested by the duly authorized manual or facsimile signature of its County Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the date of authentication identified below.

Chairman of the County Board
The County of Lake, Illinois

ATTEST:

County Clerk
The County of Lake, Illinois

[SEAL]

Date of Authentication: _____, _____

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Ordinance and is one of the Water and Sewer System Revenue Bonds, IEPA Third Lien, Excess Flow Project, [IEPA Loan Agreement L17-_____] of The County of Lake, Illinois.

DIRECTOR OF THE DEPARTMENT
OF PUBLIC WORKS, as Bond Registrar

Bond Registrar and Paying Agent:

Director of the Department
of Public Works
Libertyville, Illinois

By _____
Signature

**THE COUNTY OF LAKE, ILLINOIS, SUBORDINATED WATER AND SEWER
SYSTEM REVENUE BOND, IEPA THIRD LIEN, EXCESS FLOW PROJECT SERIES,
IEPA LOAN AGREEMENT L17-_____**

REPAYMENT SCHEDULE

[As will be provided by IEPA per Ordinance]

Section 10. Bonds Limited Obligations. The IEPA Series Excess Flow Project Bonds shall be payable solely from the Net Revenue as derived from the operation of the System, and further as subordinated and payable from the Third Lien Bond and Interest Account, and shall not constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation.

Section 11. Revenue Fund and Accounts. Upon the issuance of any of the IEPA Series Excess Flow Project Bonds, the System shall continue to be operated on a Fiscal Year basis. All of the Revenue shall be set aside as collected and be deposited into a separate fund, which fund is hereby maintained by its designated name as the (System) “*Revenue Fund*” (also referred to herein as the “*Fund*”) of the County. The Fund shall constitute a trust fund for the purpose of carrying out the covenants, terms, and conditions of the Senior Lien Ordinance, the Second Lien Ordinance, and this Ordinance, and shall be used only in paying Operating Expenses, paying the principal of and interest on all bonds and other obligations of the County which by their terms are payable from the Revenues derived from the System, providing an adequate depreciation fund, providing for Revenues as herein promised, and for the establishment of and expenditure from the respective accounts as set forth in the Senior Lien Ordinance, the Second Lien Ordinance, and this Ordinance.

Section 12. Accounts. A. The provisions for the accounts of the Revenue Fund as set forth in the Senior Lien Ordinance and the Second Lien Ordinance (the “*Prior Lien Ordinances*”) are acknowledged and incorporated herein by reference. Upon each February 15, May 15, August 15, and November 15 (accounting dates per the Senior Lien Ordinance), after provision has been made for deposits or credits to all funds and accounts as set forth in the Prior Lien Ordinances, and as monies shall be provided for the payment of the Outstanding Third Lien

Bonds in the Surplus Account, there shall be deposited without any further official action or direction the amount of monies to the accounts as follows:

1. *Third Lien Bond and Interest Account.* There shall be credited to the Third Lien Bond and Interest Account and held, in cash and investments, all Revenues until there shall have been accumulated and held, in cash and investments, in the Third Lien Bond and Interest Account on or before the time needed the entire Third Lien Bond Current Debt Service Requirement. Moneys in said Account shall be used for the purpose of paying interest on and principal of Outstanding Third Lien Bonds when due.

2. *Third Lien Bond Reserve Account.* After the promulgation of a Final Repayment schedule (by the IEPA to the County) for each IEPA Series Excess Flow Project Bond, there shall be credited to the Third Lien Bond Reserve Account and held, in cash or investments, within each Fiscal Year the sum of one-fifth (1/5) times one-half (1/2) of Maximum Annual Debt Service on such bonds until the credit balance of said Account accumulates to one-half (1/2) said Maximum Annual Debt Service on such bonds. The Third Lien Bond Reserve Requirement may accordingly increase with each Final Repayment schedule. Credits to said Account shall be ended when the credit balance thereof shall equal one-half (1/2) said Maximum Annual Debt Service on all Outstanding Third Lien Bonds (the "*Third Lien Bond Reserve Requirement*"), but shall begin again at the rate of not less than one-fifth (1/5) of the Third Lien Bond Reserve Requirement for each Fiscal Year if for any reason (including withdrawals or investment losses) such credit balance shall thereafter be less than the requirement.

B. Any Parity Third Lien Bonds shall have a reserve requirement not less than the Third Lien Bond Reserve Requirement, which shall be accumulated at a rate not less rapidly than as set forth above for the IEPA Series Excess Flow Project Bonds.

C. Amounts to the credit of the Third Lien Bond Reserve Account shall be used to pay principal of or interest on the Outstanding Third Lien Bonds at any time when there are insufficient funds available in the Third Lien Bond and Interest Account to pay the same and, further, to pay other amounts due from the Third Lien Bond and Interest Account when insufficient funds are available therein. For the purpose of meeting such payments, amounts shall be transferred to the Third Lien Bond and Interest Account by the Director of the Department of Public Works as needed and without any further action of the County Board.

D. Moneys to the credit of the Third Lien Bond and Interest Account or Third Lien Bond Reserve Account may be invested from time to time by the Treasurer of the County in Qualified Investments. Such investments may be sold from time to time by the Treasurer of the County as funds may be needed for the purpose for which said respective accounts have been created. All interest or profit earned on any funds so invested in the Third Lien Bond and Interest Account shall be transferred to the Revenue Fund upon receipt; and all interest or profit earned on any funds so invested in the Third Lien Bond Reserve Account shall be transferred to the Revenue Fund upon receipt.

E. For the purpose of determining whether sufficient cash and investments are on deposit in such accounts under the requirements of this Ordinance, investments shall be valued as of the close of each Fiscal Year, at amortized cost.

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

G. Upon full funding in any Fiscal Year of the Third Lien Bond and Interest Account and the Third Lien Bond Reserve Account, other Revenues which remain available in the Surplus Account are free for use as provided in the Prior Lien Ordinances.

Section 13. No Other Bonds Outstanding. In the event that all Senior Lien Bonds and Second Lien Bonds should be paid or defeased such that only Outstanding Third Lien Bonds remain, then the provisions of the Senior Lien Ordinance with respect to operation and management of the System shall remain in effect until the County Board, by ordinance, revises the System financial terms in accordance with Applicable Law. Such revisions may allow for prior lien accounts or funds of the Revenue Fund (or successor fund), superior to the lien of the Outstanding Third Lien Bonds, as the County may determine.

Section 14. General Covenants. Subject only to conflict with the provisions of the Prior Lien Ordinances, the County covenants and agrees with the holders and registered owners of the Outstanding Third Lien Bonds as follows:

A. The County will proceed with due diligence to construct the Northwest Regional Excess Flow Project, will maintain the System in good repair and working order, will operate the System efficiently and faithfully, and will punctually perform all duties with respect thereto required by the Constitution and laws of the State of Illinois and the United States of America.

B. The County will establish and maintain at all times reasonable fees, charges, and rates for the use and service of the System and will provide for the collection thereof and the segregation and application of the Revenues in the manner provided by this Ordinance, sufficient at all times to pay Operating Expenses, to pay the principal of and interest on all revenue bonds or other obligations of the County which by their terms are payable from the Revenues, and to provide Net Revenue in each Fiscal Year in the

amount of not less than 100% of the Current Debt Service Requirement for all Outstanding Third Lien Bonds and other obligations payable from Revenues; and to the extent necessary after application of the Net Revenue available pursuant to the aforesaid covenant relating to the provision for the Current Debt Service Requirement, to provide such additional amounts as may be required by the Act to provide an adequate depreciation fund.

There shall be charged against all users of the System such rates and amounts for water and sewer services as shall be adequate to meet the requirements of this subsection; *provided, however,* charges for services rendered the County shall be waived in any Fiscal Year in which all requirements of all funds and accounts of the System are met.

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

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

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

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

1. A statement in detail of income and expenditures of the System for such Fiscal Year.

2. A balance sheet as of the end of such Fiscal Year, including a statement of the amount held in each of the accounts of the Water and Sewer Fund.

3. The amount and details of all outstanding debt of the System.

All expenses of the audit required by this section shall be regarded and paid as Operating Expenses.

F. The County will keep the books and accounts for the System in accordance with generally accepted fund reporting practices for municipal enterprise funds; *provided, however,* that the credits to the Third Lien Bond and Interest Account and the Third Lien Bond Reserve Account shall be in cash or cash equivalents, and said funds shall be accounted for in cash and investments.

G. The County may sell or dispose of any property of the System only when such sale or disposal is in the judgment of the County advisable for the best interests of

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

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

I. The County will carry insurance on the System of the kinds and in the amounts which are usually carried by private parties operating similar properties, covering such risks as shall be recommended by a competent insurance consultant employed by the County for the purpose of making such recommendations. Alternatively the County shall self-insure or provide insurance by means of a self-insurance pool with other units of local government, *provided* that either private insurance is not available at a reasonable cost or the County or the pool shall have assets or shall have created a self-insurance reserve fund in an amount as shall be determined by a competent insurance

consultant to be not unreasonable in view of the risks insured. All monies received for property loss under such insurance policies or from the self-insurance reserve fund or pool shall be used in making good the loss or damage in respect of which they were paid, either by repairing the property damaged or making replacement of the property destroyed, and provision for making good such loss or damage shall be made within 90 days from the date of the loss. The proceeds derived from any and all policies for workers' compensation or public liability or from the self-insurance reserve fund or pool shall be paid into the Operation Account and used in paying the claims on account of which they were received or shall be used to reimburse any account from which the claim was previously paid. The payment of premiums, regular payments to a pool and regular accumulations for a reserve fund required under the provisions of this covenant shall be considered Operating Expenses.

J. The County covenants not to provide any free service of the System, and, to the extent permitted by law, the County will not grant a franchise for the operation of any competing water and sewer system within the County.

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

Section 15. Issuance of Additional Bonds. Additional Senior Lien Bonds and additional bonds on a parity with the Second Lien Bonds (collectively, the “*Additional Prior Lien Bonds*”)

may be issued under the terms of the Prior Lien Ordinances subject to the following provisions, and, further, Parity Third Lien Bonds may be issued, subject to the following provisions:

A. Additional Prior Lien Bonds may be issued without limit, *provided* that, if issued as Parity Third Lien Bonds hereunder, such Additional Prior Lien Bonds would meet the test set forth below for Parity Third Lien Bonds.

B. Parity Third Lien Bonds may be issued for the purpose of paying any lawful cost of the System, upon compliance with the following conditions:

1. The amounts required to be credited to the respective accounts of the Revenue Fund must have been credited in full up to the date of the delivery of such Parity Third Lien Bonds.

2. (a) The Net Revenue of the System as shown by the most recently available audit of an independent certified public accountant, which audit shall be for either the most recent Fiscal Year or the preceding Fiscal Year if (i) the most recent Fiscal Year has ended within 270 days of the date of issuance of the proposed Parity Third Lien Bonds and (ii) the audit for the most recent Fiscal Year is not yet available, or the Rate Adjusted Net Revenue (as defined herein) of the System for such year must equal at least 100% of Maximum Annual Debt Service, computed immediately after the issuance of the proposed Parity Third Lien Bonds, and taking into account all requirements of the Prior Lien Ordinances, but only for those Fiscal Years in which the Outstanding Third Lien Bonds immediately prior to such issuance will continue to be Outstanding Third Lien Bonds as provided herein; or the Engineer Adjusted Net Revenue (as defined herein) of the System for such year must equal at least 125% of Maximum Annual Debt Service, computed immediately after the issuance of the proposed Parity

Third Lien Bonds, and taking into account all requirements of the Prior Lien Ordinances, but only for those Fiscal Years in which the Outstanding Third Lien Bonds immediately prior to such issuance will continue to be Outstanding Third Lien Bonds as provided herein.

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

(b) In the event that the project or purpose for which the proposed Parity Third Lien Bonds are to be issued is expected to result in new sources of Revenues (such as new customers) or reduced Operating Expenses (such as a favorable power supply arrangement), the Net Revenue as described hereinabove may be adjusted (the "*Engineer Adjusted Net Revenue*") to take into account such Net Revenue as they are projected to be in the first full Fiscal Year of the anticipated adjustment, which adjustment shall be evidenced by the certificate of an independent consulting engineer employed for that purpose, which certificate

shall be filed with and approved by the County Board prior to the issuance of the proposed Parity Third Lien Bonds.

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

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

E. For so long as the IEPA is the owner of all Outstanding Third Lien Bonds, Parity Third Lien Bonds may be issued for any lawful cost of the system upon obtaining the written consent of the IEPA.

F. Bonds or other obligations may be issued payable from the Revenues subordinate to the Outstanding Third Lien Bonds.

Contracts or agreements, including long-term and take or pay contracts or agreements, for the supply of water or power which by their terms require payment by the County as an Operating Expenses or from the Operation Account are expressly excluded from the provisions of this Ordinance pertaining to Parity Third Lien Bonds. Such contracts or agreements may be made by the County notwithstanding any of the provisions herein.

In any ordinance authorizing Parity Third Lien Bonds, it shall be proper to incorporate provisions of this ordinance by reference.

Section 16. Sale of IEPA Series Excess Flow Project Bonds. The Director of the Department of Public Works of the County is hereby authorized to take all necessary action to

have the IEPA Series Excess Flow Project Bonds prepared and executed and to deliver all necessary documents to complete the borrowing in accordance with the terms of the Loan Agreements. **Each Loan Agreement as offered by the IEPA to the County, substantially in standard form of Loan Agreement, as available and on file with the IEPA, is hereby approved. Each Loan Agreement shall be executed on behalf of the County by any Designated Official, and thereupon, all of the provisions of this Ordinance shall become applicable.** Each IEPA Series Excess Flow Project Bond shall be issued, delivered and dated at the time or times and in the aggregate amount or amounts as the first disbursement of funds for the Northwest Regional Excess Flow Project is made by the IEPA under one or more Loan Agreements; *provided, however,* that the Director of the Department of Public Works is authorized to release to the IEPA, in trust, signed undated IEPA Series Excess Flow Project Bonds at the time the County requests such first payment, such IEPA Series Excess Flow Project Bonds to have an initial Advance for Value in the amount of such request, and authorize the IEPA to date such bonds and Advance for Value upon the delivery of funds in such amount. For each subsequent Advance for Value, the Director of the Department of Public Works is authorized to release to the IEPA, in trust, the IEPA Series Excess Flow Project Bonds with the Advance for Value Tables signed and completed in the amount of the proposed advance, but undated, and to authorize the IEPA to date such Advance for Value upon the delivery of funds in such amount. Alternatively, as requested by the IEPA, the Director of the Department of Public Works is authorized to hold the IEPA Series Excess Flow Project Bonds, in trust, for the IEPA and enter the Advances for Value thereon in accordance with disbursements as actually made. The Director of the Department of Public Works shall act as Bond Registrar and keep a Bond Register showing at all times the name of the registered owner of the IEPA Series Excess Flow Project Bonds. To the extent permitted by law, and so long as the IEPA is the registered owner

of any of the IEPA Series Excess Flow Project Bonds, the County and this Ordinance shall be subject to the applicable Loan Agreements. It is hereby found and declared that no person holding any office of the County, either by election or appointment, is in any manner financially interested, either directly, in his or her own name, or indirectly, in the name of any other person, association, trust or corporation, in the contract so confirmed in this Ordinance to the IEPA for the purchase and sale of the IEPA Series Excess Flow Project Bonds.

Section 17. IEPA Tax-exemption Covenants. If the IEPA has provided as a condition of the offering of a Loan Agreement and purchase of IEPA Series Excess Flow Project Bonds that the County make certain covenants relating to the Tax-exempt status of bonds issued by the State of Illinois, any officer of the County, including expressly any of the Designated Officers, are hereby authorized to execute such certificate and deliver same to the IEPA. The County acknowledges that Tax-exempt bonds or other obligations (the “*IEPA Program Bonds*”) have been or will be issued by or for the benefit of the IEPA to provide funds for water or sewer projects, which may include the Northwest Regional Excess Flow Project as defined herein, and that the IEPA may pledge the obligations of the County under the IEPA Series Excess Flow Project Bonds to such IEPA Program Bonds.

Section 18. Use of Proceeds. The proceeds derived from the sale and delivery and advances made from time to time from the IEPA shall be used solely and only to pay eligible costs of the Northwest Regional Excess Flow Project as provided in a Loan Agreement or to reimburse the County for such costs as previously advanced, all in accordance with the terms of each Loan Agreement.

Section 19. Provisions a Contract. The provisions of this Ordinance shall constitute a contract between the County and the holders and registered owners of the Outstanding Third

Lien Bonds; and no changes, additions, or alterations of any kind shall be made hereto, except as herein provided, so long as there are any Outstanding Third Lien Bonds.

Section 20. Defeasance. Bonds which are no longer Outstanding Third Lien Bonds as defined in this Ordinance shall cease to have any lien on or right to receive or be paid from Revenues and shall no longer have the benefits of any covenant for the holders or registered owners of Outstanding Third Lien Bonds as set forth herein.

Section 21. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 22. Superseder. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are to the extent of such conflict hereby superseded.

Section 23. Effective Date. This Ordinance shall be effective immediately upon publication.

PASSED by the County Board on _____, 2014.

WITNESSED BY THE CHAIRMAN OF THE COUNTY BOARD: _____, 2014.

Chairman

AYES:

NAYS:

ABSENT:

RECORDED in the County Records on _____, 2014.

ATTEST:

County Clerk

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF LAKE)

CERTIFICATION OF AGENDA, ORDINANCE AND MINUTES

I, the undersigned, do hereby certify that I am the duly qualified and acting County Clerk of The County of Lake, Illinois (the “*County*”), and as such officer I am the keeper of the books, records, files, and journal of proceedings of the County and of the County Board (the “*County Board*”) thereof.

I do further certify that the foregoing constitutes a full, true and complete transcript of the minutes of the legally convened meeting (the “*Meeting*”) of the County Board held on the ____ day of _____ 2014 insofar as same relates to the adoption of an ordinance numbered _____ and entitled:

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUE OF NOT TO EXCEED \$7,000,000 SUBORDINATED WATER AND SEWER SYSTEM REVENUE BONDS, IEPA THIRD LIEN, EXCESS FLOW SEWER PROJECT, IN ONE OR MORE SERIES, OF THE COUNTY OF LAKE, ILLINOIS, FOR THE PURPOSE OF CONSTRUCTING IMPROVEMENTS TO THE SANITARY SEWER PORTION OF THE EXISTING SYSTEM OF SAID COUNTY, PRESCRIBING ALL THE DETAILS OF SAID BONDS, AND PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF THE SYSTEM OF SAID COUNTY.

(the “*Ordinance*”) a true, correct and complete copy of which Ordinance as adopted at the Meeting appears in the foregoing transcript of the minutes of the Meeting.

I do further certify that the deliberations of the County Board on the adoption of the Ordinance were taken openly; that the vote on the adoption of the Ordinance was taken openly; that the Meeting was held at a specified time and place convenient to the public; that notice of the Meeting was duly given to all of the news media requesting notice of the Meeting; that an agenda (the “*Agenda*”) for the Meeting was posted at the location where the Meeting was held and at the principal office of the County Board at least 48 hours in advance of the holding of the

Meeting and, further, not later than 5:00 p.m. on _____, 2014; that the agenda contained a separate specific item concerning the proposed adoption of the Ordinance; that a true and complete copy of the Agenda is attached hereto; that the Meeting was called and held in strict accordance with the provisions of the Counties Code, as amended, and the Open Meetings Act of the State of Illinois, as amended; and that the County Board has complied with all of the applicable provisions of said Code, Act and its own procedural rules in the adoption of the Ordinance.

IN WITNESS WHEREOF I have hereunto affixed my official signature and the seal of the County this ____ day of _____ 2014.

County Clerk

[SEAL]

[Attachments: Ordinance, Minutes, Agenda]