

Final Official Statement Dated September 3, 2015

Subject to compliance by the Commission with certain covenants, in the opinion of Schiff Hardin LLP, Bond Counsel, under present law, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes and thus will be exempt from present Federal income taxes based on gross income, and is not included as an item of tax preference in computing the federal alternate minimum tax for individuals and corporation. Such interest will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION" herein for a more complete discussion. Interest on the Bonds is not exempt from Present Illinois income taxes.

\$9,820,000

**NORTHWEST WATER COMMISSION
Cook and Lake Counties, Illinois
Water Revenue Bonds, Series 2015**

Dated: Date of Delivery Book-Entry Bank Qualified Due Serially April 1, 2017-2025

The \$9,820,000 Water Revenue Bonds, Series 2015 (the "Bonds"), are being issued by the Northwest Water Commission, Cook and Lake Counties, Illinois (the "Commission"). Interest is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2016. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC, and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on April 1 in the following years and amounts.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Principal Amount	Due April 1	Interest Rate	Yield	CUSIP(1) Number	Principal Amount	Due April 1	Interest Rate	Yield	CUSIP(1) Number
\$1,000,000	2017	2.000%	0.700%	667854 DF7	\$1,105,000	2022	2.250%	2.250%	667854 DL4
1,025,000	2018	2.000%	1.050%	667854 DG5	1,130,000	2023	3.000%	2.400%	667854 DM2
1,045,000	2019	2.000%	1.400%	667854 DH3	1,165,000	2024	3.000%	2.600%	667854 DNO
1,065,000	2020	2.000%	1.700%	667854 DJ9	1,200,000	2025	3.000%	2.700%	667854 DP5
1,085,000	2021	2.000%	2.000%	667854 DK6					

OPTIONAL REDEMPTION

Bonds due April 1, 2017-2020, inclusive, are not subject to optional redemption. Bonds due April 1, 2021-2025, inclusive, are callable in whole or in part on any date on or after April 1, 2020, at a price of 101% of par plus accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Commission and within any maturity by lot. See "OPTIONAL REDEMPTION" herein.

PURPOSE, LEGALITY AND SECURITY

Bond proceeds will be used for acquiring, constructing, improving and equipping improvements to and extensions of the System. See "THE PROJECT" herein.

In the opinion of Bond Counsel, the Bonds will constitute special obligations of the Commission. The Bonds are not payable in any manner by taxation but, together with any additional bonds as may be hereafter issued pursuant to the conditions set forth in the hereinafter defined Bond Ordinance, are payable from (1) the net revenues derived from the operation of the water supply system (the "System") of the Commission, and (2) certain moneys on deposit in such funds and accounts held as provided in the Bond Ordinance.

The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

This Final Official Statement is dated September 3, 2015, and has been prepared under the authority of the Commission. An electronic copy of this Final Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Competitive Official Statement Sales Calendar". Additional copies may be obtained from Mr. Bill Ganek, Interim Executive Director, Northwest Water Commission, 1525 North Wolf Road, Des Plaines, Illinois 60016, or from the Independent Public Finance Consultants to the Commission:



(1) CUSIP numbers appearing in this Final Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw Hill Financial Inc. The Commission is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Bonds or as set forth on the cover of this Final Official Statement.

NORTHWEST WATER COMMISSION

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Jon Sfondilis, Commissioner - Village of Wheeling
Scott Shirley, Commissioner - Village of Arlington Heights
Reid T. Ottesen, Commissioner and Treasurer - Village of Palatine
Dane Bragg, Commissioner, Village of Buffalo Grove

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Bill Ganek

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No dealer, broker, salesman or other person has been authorized by the Commission to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commission. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Commission and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMMISSION SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement, they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

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BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Final Official Statement which is provided for the convenience of potential investors and which should be reviewed in its entirety by potential investors.

Issuer:	Northwest Water Commission, Cook and Lake Counties, Illinois (the "Commission").
Issue:	\$9,820,000 Water Revenue Bonds, Series 2015 (the "Bonds").
Dated Date:	Date of delivery.
Interest Due:	Each April 1 and October 1, commencing April 1, 2016.
Principal Due:	Serially each April 1, commencing April 1, 2017 through 2025, as detailed on the front page of this Final Official Statement.
Optional Redemption:	Bonds maturing on or after April 1, 2021, are callable at the option of the Commission on any date on or after April 1, 2020, at a price of 101% of par plus accrued interest. See " OPTIONAL REDEMPTION " herein.
Authorization:	By Ordinance Number 2015-06 of the Commission adopted on September 3, 2015 authorizing the issuance of the Bonds.
Security:	The Bonds will constitute special revenue obligations of the Commission. The Bonds are not payable in any manner by taxation but, together with any additional bonds as may be hereafter issued pursuant to the conditions set forth in the Bond Ordinance, are payable from (1) the net revenues derived from the operation of the water supply system (the "System") of the Commission, after provision is made for the deposit of amounts in certain funds and accounts established by the Bond Ordinance, and (2) certain moneys on deposit in such funds and accounts held as provided in the Bond Ordinance. See " SECURITY AND SOURCES OF PAYMENT FOR THE BONDS " herein.
Debt Service Reserve Account Requirement:	Under the Bond Ordinance, the Commission is required to maintain in the Debt Service Reserve Account in an amount equal the Debt Service Reserve Account Requirement. The Bond Ordinance provides that as long as any of the Bonds are outstanding, the Debt Service Reserve Account Requirement is not less than maximum annual debt service on the Bonds and all Parity Bonds outstanding. Upon delivery of the Bonds, an amount equal to the maximum annual debt service on the Bonds will be deposited into the Debt Service Reserve Account from funds on hand with the Commission in order to meet the Debt Service Reserve Account Requirement. See " SECURITY AND SOURCES OF PAYMENT FOR THE BONDS " herein.
Credit Rating:	The Bonds have been rated "Aa2" by Moody's Investors Service.
Purpose:	Bond proceeds will be used for acquiring, constructing, improving and equipping improvements to and extensions of the System. See " THE PROJECT " herein.
Tax Exemption:	Schiff Hardin LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the interest on the Bonds as discussed under " TAX EXEMPTION " in this Final Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes.
Bank Qualification:	The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See " QUALIFIED TAX-EXEMPT OBLIGATIONS " herein.
Bond Registrar/Paying Agent:	Amalgamated Bank of Chicago, Chicago, Illinois.
Delivery:	The Bonds are expected to be delivered on or about September 16, 2015.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See APPENDIX B herein.
Denomination:	\$5,000 or integral multiples thereof.
Municipal Advisor:	Speer Financial, Inc., Chicago, Illinois.

SUMMARY STATEMENT

This summary statement is subject in all respects to more complete information contained elsewhere in this Final Official Statement.

The Issuer

The Northwest Water Commission, Cook and Lake Counties, Illinois (the "Commission"), was created in 1957 under Illinois law to provide the four member communities of Arlington Heights, Buffalo Grove, Palatine and Wheeling, Illinois (collectively, the "Members") with Lake Michigan water. The Commission has entered into a contract (the "Evanston Contract") expiring in 2035 with the City of Evanston, Illinois ("Evanston") which will make available a maximum daily quantity of 55 million gallons to provide these Lake Michigan water requirements. In turn, the Commission entered into a contract (the "Water Supply Contract") expiring in 2025 with its four Member communities under which each Member agreed to purchase from the Commission its full water requirements on a "take or pay" basis. See **“WATER SUPPLY CONTRACT”** and **“THE EVANSTON CONTRACT”** herein.

The System

The Commission commenced construction of its Water Supply System (the "System") in March, 1982. The essential elements of the System are transmission mains, a booster pumping station, a storage reservoir, a main pumping station, and delivery structures. All major construction was completed by the end of calendar year 1986. Installation of new pumps and drives at the Commission's main pumping station was completed in 1998.

The total initial costs of the System were financed from contributions of the Members in the amount of \$35,280,000 and from the proceeds of the Commission's \$38,225,000 Water Revenue Bonds, Series 1983. In 1987, the Series 1983 Bonds were advance refunded by the \$45,150,000 Series 1987 Bonds. In 1993, the Series 1987 Bonds were refunded by the \$33,410,000 original aggregate principal amount of the Commission's Water Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). A portion of the proceeds of the Series 1993 Bonds was also used for the construction of a booster station for the System. A portion of the Bond proceeds will be used for acquiring, constructing, improving and equipping improvements to and extensions of the System. See **“THE PROJECT”** herein.

Operation of the System

The Commission initiated operation of the System at approximately 50% of its Members' allocations in February, 1985. With a minor exception relating to maintenance of Buffalo Grove's Local System, since late May, 1986, the Commission has been delivering full water requirements to the Members. Water quality, as treated by Evanston, is considered by the Commission to be excellent.

Des Plaines Customer Contract

As permitted by the Water Supply Contract, in September 2014, the Commission entered into a customer contract (the "Des Plaines Customer Contract") with the City of Des Plaines, Illinois. Under the customer contract, the Commission agreed to sell the City of Des Plaines potable water in an amount not exceeding the lesser of (a) five million gallons per day, or (b) 75% of the City of Des Plaines' total water usage. The Commission reserves the right to enter into customer contracts with other purchasers of potable water.

Security for the Bonds

The Bonds are special revenue obligations of the Commission payable solely from (1) the Net Revenues (as defined under “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**”) derived from the operation of the System, and (2) certain moneys on deposit in such funds and accounts held as provided in the Bond Ordinance. The Bond Ordinance provides that under certain conditions, the Commission may issue additional bonds payable from such Net Revenues on a parity with the Bonds and may issue subordinate lien obligations. The Commission has no power to levy taxes.

A Debt Service Reserve Account has been funded in an amount equal to the maximum annual debt service on the Bonds. The Bond Ordinance (a) requires that there be maintained in the Debt Service Reserve Account a balance equal to the Debt Service Reserve Account Requirement, and (b) permits a reserve account insurance policy to be procured as an alternative to funding the Debt Service Reserve Account. See “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” and **APPENDIX A** herein.

Rate Covenant

The Commission covenants in the Bond Ordinance to 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 and the segregation and application of the Revenues of the System sufficient at all times to pay or provide for (a) Operation and Maintenance Costs, (b) an adequate depreciation fund, (c) the principal of and interest on all bonds which by their terms are payable solely from the Water Fund, as provided in the Act (defined below), including, in the case of the Bonds, an amount not less than 1.10 times the annual debt service requirement for the forthcoming Fiscal Year, (d) compliance with the covenants of the Ordinance (as defined in Exhibit D), including making all of the required deposits in and credits to all of the Funds and Accounts established in the Ordinance, and (e) carrying out the corporate purposes and powers of the Commission.

Water Supply Contract

The Commission has entered into the Water Supply Contract expiring in 2025 with its four Members under which each Member agrees to purchase the water necessary to serve the full needs of its waterworks system. Each Member agrees on a "take or pay" basis to pay quarterly in advance its share of Commission expenses, net of other Commission revenues including (without limitation) revenues received under Customer Contracts (defined below). The Members are obligated to pay 30% of their annual charge at the beginning of each of the first two quarters of each fiscal year and 20% of the annual charges at the beginning of each of the last two quarters of each fiscal year. Thus 80% of the annual charges will be payable by the beginning of the third quarter of each fiscal year. The combined annual payments of Members will be determined so as to be adequate, with other Commission revenues, to meet all of the Commission's expenses, including operation and maintenance costs, principal of, premium and interest on the Commission's revenue bonds and other obligations of the Commission, including deposits required by the Bond Ordinance, providing an adequate depreciation fund and compliance with the covenants in the Bond Ordinance and the ordinances authorizing Parity Bonds, including the rate covenant described above. The Water Supply Contract provides that the Commission's costs will be apportioned among Members based upon full water requirements, regardless of whether any or all of the full water requirements are received from the Commission. The obligations of the Members under the Water Supply Contract are revenue obligations, with a claim for payment limited to revenues of the Members' local waterworks systems. In the event of a payment default by one or more Members, the other Members are obligated to make additional payments sufficient to enable the Commission to meet its obligations. See “**WATER SUPPLY CONTRACT**” herein.

The Evanston Contract

In March, 1981, the Commission entered into a 40 year contract with Evanston (the "Evanston Contract"). The term of the Evanston Contract was extended in 1995 to 2035 with renewals possible thereafter. Under the Evanston Contract, Evanston has agreed to supply all of the Commission's water requirements up to 55 million gallons per day (which is a quantity adequate to meet the Members' projected needs), with water of such quality as will meet or exceed applicable standards of the state and federal governments. The Evanston Contract includes a formula for the cost of water to the Commission based on depreciation and operating costs and an annual return to Evanston of a specified portion of its rate base. See "THE EVANSTON CONTRACT" herein.

INTRODUCTION

The Commission is a water commission and public corporation established pursuant to Article 11, Division 135 of the Illinois Municipal Code, as amended (the "Act"). The Commission is empowered under the Act to finance, construct, acquire and operate a water supply system to serve its Members and other potential water purchasers. The Members of the Commission are the Illinois municipalities of Arlington Heights, Buffalo Grove, Palatine and Wheeling. The sole current customer of the Commission is the Illinois municipality of Des Plaines. Under the Act, each of the Members and the president of the Cook County Board of Commissioners are entitled to appoint one commissioner to the governing board of the Commission. The Bonds are authorized and issued pursuant to the Act, the Local Government Debt Reform Act of the State of Illinois, as amended, and the Bond Ordinance.

The summaries of and references to all documents, statutes, reports, and other instruments referred to in this Final Official Statement do not purport to be complete and are qualified in their entirety by reference to each such document, statute, report or instrument. Capitalized terms not otherwise defined in this Final Official Statement shall have the meanings as set forth in the respective documents. Copies of the forms of the Water Supply Contract, the Bond Ordinance, the Evanston Contract, the Des Plaines Customer Contract, and the State Water Allocation Orders and Permits may be obtained upon written request to the Commission.

THE PROJECT

Bond proceeds will be used to acquire, construct, improve and equip improvements to and extensions of the System including, without limitation, (a) a water main to connect the various branches of the System serving the Village of Palatine, (b) a water main to connect the various branches of the System serving the Village of Buffalo Grove, and (c) related property and facilities of the Commission used or to be used for the receiving, storage and transmission of water.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The following is a summary of certain security provisions of Ordinance Number 2015-06 of the Commission to be adopted September 3, 2015, authorizing the issuance of the Bonds (the "Bond Ordinance"). A more detailed summary of the Bond Ordinance is included in **APPENDIX C** to this Final Official Statement.

Net Revenue Pledge

The Bonds are special revenue obligations of the Commission with a claim for payment solely from and secured by a pledge of (1) the Net Revenues derived from the operation of the System, and (2) certain moneys on deposit in such funds and accounts held as provided in the Bond Ordinance. The Bond Ordinance provides that under certain conditions, the Commission may issue additional bonds payable from such Net Revenues.

"Net Revenues" means for any period Revenues less Operation and Maintenance Costs of the System and amounts of Revenues used to provide or maintain the Operation and Maintenance Reserve Amount. "Revenues" are generally all income from whatever source derived from the System, including payments under the Water Supply Contract, receipts from the sale of water to contract customers, investment earnings, prepayments, connection, permit and inspection fees, penalties and delinquency charges, and capital development, reimbursement or recovery charges. Revenues also include moneys transferred from the Surplus Account to the Water Fund. Revenues do not include non-recurring income from the sale of real estate, grant proceeds or insurance awards or condemnation proceeds. "Operation and Maintenance Costs" are generally all costs of operating, maintaining and routine repairs of the System. The "Operation and Maintenance Reserve Amount" is maintained in the Operation and Maintenance Account and is equal to two-thirds of Operation and Maintenance Costs of the quarter of the then current fiscal year in which such costs are the greatest. The Bonds are not a debt of any Member and Members are not obligated to levy or pledge taxes for the Bonds. The Commission has no power to levy taxes.

Debt Service Reserve Account

Under the Bond Ordinance, the Commission is required to maintain in the Debt Service Reserve Account an amount equal to the Debt Service Reserve Account Requirement. The Bond Ordinance provides that as long as any of the Bonds are outstanding, the Debt Service Reserve Account Requirement is not less than maximum annual debt service on the Bonds and all Parity Bonds outstanding. Upon delivery of the Bonds, an amount equal to the maximum annual debt service on the Bonds will be deposited into the Debt Service Reserve Account from funds on hand with the Commission in order to meet the Debt Service Reserve Account Requirement. Under the Bond Ordinance, the Commission is permitted to procure a reserve account insurance policy as an alternate to funding the Debt Service Reserve Account. Such reserve account insurance policy must be issued by an insurance issuer which is, at the time of issuance of such policy, assigned the highest policy holder rating accorded insurers by A.M. Best & Co. or any comparable service and which insurer is of sufficient credit quality to entitle debt backed by such insurance policy to be rated in the top two rating categories by Moody's Investors Service, Inc., and Standard and Poor's Ratings Group, or their successors.

Amounts in the Debt Service Reserve Account are to be transferred to the Interest Account or the Principal Account of the Water Fund if amounts in those accounts are insufficient, after applying moneys in certain other funds and accounts, to pay when due the principal or redemption price of, or interest on, the Bonds.

Issuance of Refunding Parity Bonds

Under the Bond Ordinance, Parity Bonds may be issued for the purpose of refunding Bonds or Parity Bonds at or in advance of maturity, if either of the conditions set forth in A or B as follows are met:

- (A) The Commission shall have received the certificate of an Independent certified public accountant (i) setting forth the Current Debt Service Requirement of all Outstanding Bonds during the then current Fiscal Year and for each Fiscal Year to and including the Fiscal Year of the last Maturity of any Outstanding Bonds (a) with respect to all such Outstanding Bonds immediately prior to the proposed date of authentication and delivery of such refunding bonds and (b) with respect to all Outstanding Bonds immediately thereafter and (ii) demonstrating that the amount set forth for each Fiscal Year pursuant to (a) above is no greater than the amount set forth for each such Fiscal Year pursuant to (b) above except for the last Fiscal Year of such comparison, for which year it shall be demonstrated that the amount set forth in (b) above is not greater than the average for all Fiscal Years (excluding the last) of the amounts set forth in (a) above; or
- (B) All Outstanding Bonds are being refunded under arrangements which immediately result in making provision for their payment in such manner that they will no longer be outstanding.

Parity Bonds may also be issued to refund bonds within six months prior to, at or after their Maturity in order to prevent or remedy a default in the payment of principal or interest or redemption premium. The need to issue bonds for the purpose set forth in this paragraph shall be established by a finding by the Commission in a parity series ordinance creating the series of such refunding bonds.

Outstanding Bonds which may be subject to mandatory redemption by operation of the Principal Account shall remain so subject as if the escrow or trust fund or account from which provision for refunding will be made were the Principal Account.

Issuance of Non-Refunding Parity Bonds

Under the Bond Ordinance, Parity Bonds may be issued for purposes other than refunding Bonds or Parity Bonds upon compliance with the following conditions:

- (A) The amounts required to be on deposit in the respective Accounts of the Water Fund shall have been credited in full as determined immediately after the issuance of the Parity Bonds, as evidenced by an Officer's Certificate.
- (B) The Commission shall have received an Opinion of Counsel from Independent bond counsel of national standing that there is in existence a valid and legally binding Member Contract obligating the Members, collectively, to make payments to the Commission for deposit into the Water Fund with respect to such Parity Bonds proposed to be issued (i) on the same basis as such Members must make payments with respect to all other Outstanding Bonds determined immediately after the issuance of the proposed Parity Bonds and (ii) in sufficient amounts to provide for all required deposits in and credits to and payments from the Water Fund as provided in the Bond Ordinance as determined immediately after the issuance of the Parity Bonds; but such opinion need only relate to the period of time during which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding Bonds as provided in the Bond Ordinance.
- (C) If the series of Parity Bonds is being issued to finance the costs of developing, acquiring, constructing, extending or improving the System, the Commission shall have received a certificate of a Qualified Engineer, setting forth (i) the then estimated date of completion of the proposed project, (ii) the then estimated period of usefulness of the proposed project, and the then estimated cost of development, acquisition, construction, extension and/or improvement of the proposed project.

- (D) The Commission shall have received a certificate of an Independent certified public accountant setting forth (A) for either one of the two completed Fiscal Years next preceding the authentication and delivery of such series of Parity Bonds, the Net Revenues for such Fiscal Year, and (B) the aggregate Current Debt Service Requirement during the Fiscal Year so selected with respect to all series of Bonds which were then Outstanding; and showing that the Net Revenues for such Fiscal Year were at least equal to 1.10 times the aggregate Current Debt Service Requirement for such Fiscal Year with respect to such Bonds which were then Outstanding.
- (E) The Commission shall have received a certificate of a Qualified Engineer setting forth the Estimated Net Revenues (assuming the completion of any proposed project referred to in (C) above on its then estimated date of completion and giving effect to any increases in fees, charges and rates that have been imposed by the Commissions and that have become or will become effective during the Fiscal Years covered by the certificate) for the then current Fiscal Year and for each succeeding Fiscal Year to and including the second Fiscal Year succeeding the latest estimated date of completion of the proposed project;
- (F) The Commission shall have received a certificate of an Independent certified public accountant or of an independent municipal financial advisor showing (i) the aggregate Current Debt Service Requirement for each of the Fiscal Years set forth in the Qualified Engineer's certificate delivered pursuant to paragraph (E) above with respect to all Series of Bonds to be Outstanding immediately after the authentication and delivery of such Series of Parity Bonds being issued (taking into account any capitalized interest set aside for the proposed series of Parity Bonds and all other Series of Bonds to be Outstanding immediately after the authentication and delivery of such series of Parity Bonds) and (ii) that the Estimated Net Revenues as shown in such Qualified Engineer's certificate for each of such Fiscal Years are not less than 1.10 times the aggregate Current Debt Service Requirement for each of such Fiscal Years with respect to all Series of Bonds to be Outstanding immediately after the authentication and delivery of such Series of Parity Bonds being issued.

Certain Other Covenants in the Bond Ordinance

The Commission covenants generally in the Bond Ordinance to establish and maintain reasonable fees, charges and rates for use and service of the System sufficient at all times to pay the Operation and Maintenance Costs of the System, to provide an adequate depreciation fund, to pay principal of and interest on the Bonds, to comply with the other covenants of the Bond Ordinance and to carry out the corporate purposes and powers of the Commission. The Commission also covenants, among other things, to maintain and insure the System, to adopt an adequate budget for each fiscal year, to compel the prompt payment of rates, fees, charges and penalties for services rendered or water supplied under the Water Supply Agreement and the Customer Contracts, to maintain the Evanston Contract and the Water Supply Contract as enforceable and not amend them except as provided in the Bond Ordinance, and to enforce the Evanston Contract and the Water Supply Contract for the benefit and security of the Bondholders.

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of their delivery, will mature on April 1 of the years and in the principal amounts and will bear interest at the rates per year set forth on the cover page of this Final Official Statement. Interest will accrue from the dated date of the Bonds and will be payable on April 1 and October 1 of each year with the first interest payment date being April 1, 2016.

The principal of the Bonds will be payable at the principal corporate trust office of Amalgamated Bank of Chicago, Chicago, Illinois (the "Paying Agent"). Interest on Bonds shall be payable by check mailed by the Paying Agent to the holders of the Bonds at their addresses as shown on the registration books of the Commission maintained by the Bond Registrar. The interest (computed on the basis of a 360 day year consisting of twelve 360-day months) payable on the Bonds on each interest payment date will be paid to the persons in whose names such Bonds are registered at the close of business on the applicable record date (the fifteenth day of the month next preceding such interest payment date).

THE WATER SUPPLY CONTRACT

General

The Water Supply Contract between the Commission and the Members is for a term which expires in 2025. In the Water Supply Contract, each Member agrees to purchase from the Commission the full water requirements of all present and future retail water customers, including municipal use, of the Member's combined waterworks and sewerage system (the "Local System"). The Commission agrees to furnish each Member's full water requirements up to the State Water Allocation in effect from time to time under the Member's current allocation permit as referred to in the Water Supply Contract. See "**STATE WATER ALLOCATIONS AND USAGE**" herein. The quantity of water which the Commission is obligated to deliver to a Member in any day is limited to 1.8 times the Member's applicable average daily State Water Allocation as set forth in the Water Supply Contract. Accordingly, the aggregate maximum daily quantity which the Commission is obligated to deliver to the Members during the term of the Water Supply Contract is as follows:

AGGREGATE MAXIMUM DAILY QUANTITIES (Million Gallons)

<u>1992</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
(Actual)			
24.09	44.45	45.47	48.47

The Members' percentage shares as of May 1, 2015 are as follows:

	<u>% Share</u>
Village of Arlington Heights.....	36.42%
Village of Buffalo Grove.....	17.06
Village of Palatine.....	29.10
Village of Wheeling.....	<u>17.41</u>
Total.....	100.00

These percentage shares are based on a formula contained in the Water Supply Contract and are subject to change in future years based on consumption by the Members.

Nature of Obligations

The Commission's obligation to furnish water under the Water Supply Contract is contingent upon the capacity of the System, the availability of water to the Commission, the Commission's contractual obligations to other customers, and certain other conditions. Each Member is obligated on a "take or pay" basis to pay its share of Commission Expenses (as defined under "Payment Provisions" below) based on its full water requirements, regardless of whether all or any of its full water requirements are received from the Commission.

Source of Payments

The obligation of each Member to make payments under the Water Supply Contract is a revenue obligation of the Member, with a claim for payment limited to revenues derived from the operation of the Member's Local System. Members are not prohibited from using any other legally available funds to make the payments required by the Water Supply Contract but are not obligated to do so. Certain Members have used property tax revenues from time to time to make some of those payments. Each Member represents and covenants among other things that (a) payments to be made under the Water Supply Contract will constitute operating expenses of its Local System, (b) ordinances or resolutions authorizing obligations to be paid from the revenues of its Local System will expressly provide that such revenues may be used to pay debt service on such obligations only to the extent that those revenues exceed amounts required to pay the operating expenses of the Local System including payments to be made under the Water Supply Contract, and (c) it will establish rates and charges for water supplied to customers of its Local System sufficient to pay the operating expenses of the Local System including payments to be made under the Water Supply Contract, to provide an adequate depreciation fund, and to pay debt service and meet deposit and other requirements under ordinances authorizing revenue bonds to be paid from the revenues of its Local System.

Enforceability of the Water Supply Contract

Bond counsel and the Commission's General Counsel are each of the opinion that the Water Supply Contract is a valid and binding obligation of the Commission and of the Member Municipalities in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and except that enforcement of provisions of the Water Supply Contract by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief. Neither Bond Counsel nor the Commission's General Counsel will express an opinion (a) with respect to the provisions of the Water Supply Contract relating to arbitration of disputes, or (b) as to whether amounts to be paid by Members under the Water Supply Contract during a substantial interruption of or after a permanent halt to operations of the System would constitute proper expenses of operation and maintenance of the respective Local Systems.

No Member currently has outstanding any revenue bonds or alternate revenue bonds to which the revenues of its Local System are pledged. The Water Supply Contract includes a representation and covenant by each Member that all payments required to be made by it under the Water Supply Contract will constitute operating expenses of its Local System and will constitute operating expenses of its Local System as to any and all revenue bonds of that Member which are supported in whole or in part by a pledge of the revenues of such Local System. The Water Supply Contract also includes a representation and covenant by each Member that any ordinance or resolution adopted by it authorizing the issuance of obligations of the Member to be paid from the revenues of its Local System will expressly provide that such revenues may be used to pay the principal of and interest on such obligations only to the extent that such revenues exceed amounts required to pay the operating expenses of such Local System, including all payments to be made by the Member under the Water Supply Contract regardless of whether water is being delivered or is ever delivered to the Member under the Water Supply Contract. Finally, the Water Supply Contract includes an agreement by each Member that the obligations of the Member under the Water Supply Contract are enforceable against and collectible from any moneys from time to time available in the various funds and accounts, including reserve and surplus accounts, maintained by the Member in connection with its Local System.

Payment Provisions

Each Member agrees to pay a "share" of the Commission Expenses (net of other Commission income) for each service year. Each Member's share is based on the proportion of the full water requirements of that Member to the aggregate full water requirements of all Members, in each case for the immediately preceding service year. The term "full water requirements" means the amount of Lake Michigan water necessary from time to time to serve the full water requirements of all present and future customers of a Local System, including municipal use, system leakage and metering losses, located within or outside of the corporate limits of the applicable Member.

"Commission Expenses" are generally defined as those amounts determined from time to time by the Commission to be necessary: (i) to pay costs of operation and maintenance of the System, including amounts payable under the Evanston Contract; (ii) to pay principal of (at maturity or pursuant to mandatory redemption requirements), premium, if any, and interest on the Bonds, any Parity Bonds and any subordinate bonds of the Commission; (iii) amounts necessary to provide an adequate depreciation fund and to fund the various funds and accounts of the Commission as required by the Bond Ordinance and ordinances authorizing Parity Bonds; (iv) amounts necessary to comply with the covenants of the ordinance or ordinances authorizing the issuance of the Bonds and any Parity Bonds, including the rate covenant described above under the caption "SUMMARY STATEMENT – Rate Covenant, " and (v) amounts necessary to repay any other obligation of the Commission.

The amount of each Member's share of Commission Expenses for a service year is initially determined by allocating expenses budgeted for that year (net of other Commission income) among the Members on the basis of their respective full water requirements in the most recent calendar year. The budgeted Commission Expenses to be paid by the Members and the allocation of those Commission expenses among the Members are subject to adjustment as required by the Bond Ordinance and the Water Supply Contract, and Members may also be separately charged for any annual adjustment to the quantity charge payable under the Evanston Contract. The amount of a Member's payment is also required to be increased through imposition of a quarterly surcharge if at the end of a fiscal quarter the Member's share of the aggregate full water requirements in the most recent twelve months exceeds that Member's share of the aggregate full water requirements as determined in the budget of the Commission. (There is no corresponding reduction for Members whose share of the aggregate full water requirement is less than the share determined in the budget.)

Each Member is obligated to pay its share of the annual net expenses of the Commission in each service year on the following schedule:

<u>Percentage of Annual Share</u>	<u>Due Date</u>
30%	May 1
30%	August 1
20%	November 1
20%	February 1

Interest will accrue on late payments by a Member at the maximum legal rate payable by that Member, not to exceed the greater of (i) 75% of the prime rate established by the largest bank in Illinois measured in terms of total assets or (ii) the highest rate on the Commission's bonds plus 2%.

If any payment of a Member's share or quarterly surcharge is unpaid for a period in excess of 30 days from its due date, the Members not in default agree to pay a quarterly "Guarantee Share" of the Commission's "Guarantee Revenue Need" in each subsequent quarter until all arrearages have been eliminated. A "Guarantee Share" for a Member is defined as the Member's share of total water delivered (or deemed delivered if less than all requirements are delivered) to all of the non-defaulting Members. "Guarantee Revenue Need" is defined as an amount determined by the Commission as necessary to be collected to permit the Commission to meet all of its obligations as they come due, including amounts sufficient to pay net Commission Expenses. Late payments by a Member in default will be credited to the accounts of Members who paid any increased share occasioned by the default with interest at the rate of interest paid to the Commission on past due amounts, to the extent that those late payments represent surplus revenue of the System; provided that the Commission's obligation to credit such amounts is subordinate to the Commission's

obligations under applicable statutes, the Bond Ordinance and the ordinance or ordinances authorizing the issuance of any Parity Bonds or any subordinate obligations.

Covenants

Each Member covenanted in the Water Supply Contract to establish such charges and rates for water supplied by it to consumers as will be sufficient at all times to (i) pay the cost of operation and maintenance of its Local System, including those amounts necessary to pay its obligations under the Water Supply Contract, (ii) provide an adequate depreciation fund for its Local System, (iii) pay the principal of and interest on its Local System revenue bonds, and (iv) meet the requirements of any ordinances authorizing those bonds. The term "sufficient" in the rate covenant is defined as an amount adequate when taken together with any and all other amounts which have been set aside, in cash or investments, in a separate account and legally designated, pledged and appropriated for the purpose of making payments under the Water Supply Contract, to enable the Member to make all such payments as they come due.

Each Member also covenants, among other things, to operate and maintain its Local System, to use its best efforts to continue serving all current customers of the Local System and to use its best efforts to maintain in effect at all times a State Water Allocation that will satisfy its full water requirements.

THE DES PLAINES CUSTOMER CONTRACT

General

The Commission reserves the right to enter into contracts for the purchase and sale of water between the Commission and any municipality or other unit of local government of the State of Illinois, other than the Members (a "Customer Contract").

In September 2014, the Commission entered into a Customer Contract (the "Des Plaines Customer Contract") with the City of Des Plaines, Illinois (the "Contract Customer") for a term equal to the lesser of the term of the Water Supply Contract and 20 years. Under the Des Plaines Customer Contract, the Commission agreed to sell the Contract Customer potable water in an amount not exceeding the lesser of (a) five million gallons per day, or (b) 75% of the Contract Customer's total water usage.

Nature of Obligations

The Commission's obligation to furnish water under the Des Plaines Customer Contract is contingent upon the capacity of the System, the availability of water to the Commission and certain other conditions. In the Des Plaines Customer Contract, the Commission reserved the right to enter into additional Customer Contracts with additional customers other than the Contract Customer and to charge rates for water under those additional Customer Contracts different from the rates charged to the Contract Customer.

Source of Payments

The obligation of the Contract Customer to make payments under the Des Plaines Customer Contract is a revenue obligation of the Contract Customer, with a claim for payment limited to revenues derived from the operation of the Contract Customer's waterworks system. The Contract Customer is not prohibited from using any other legally available funds to make the payments required by the Des Plaines Customer Contract. The Contract Customer represents and covenants among other things that payments to be made under the Des Plaines Customer Contract will constitute operating expenses of its waterworks system.

Payment Provisions

For years after 2014, the Commission will charge a rate, adjusted annually, to the Contract Customer based on a 1) capital charge based on current capacity; 2) operation and maintenance costs of the Commission and 3) costs charged by the City of Evanston to the Commission under the Evanston Contract. In 2014, the first year of the Des Plaines Customer Contract, the rate charged to the Contract Customer was based on actual monthly usage at a minimum rate of \$1.78 per 1,000 gallons.

Interest will accrue on late payments by the Contract Customer at the maximum legal rate payable by the Contract Customer, not to exceed the greater of (i) 110% of the prime rate established from time to time by the largest bank in Illinois measured in terms of total assets, or (ii) the highest rate of interest on the Commission's bonds plus 2%.

If such payment is not made by the Contract Customer to the Commission within 30 days after the date such payment becomes due, the Commission, at its option and its discretion, and whether or not such payment is disputed, may reduce or discontinue delivery of potable water to the Contract Customer until the amount due to the Commission is paid in full with interest.

Covenants

The Contract Customer covenanted in the Des Plaines Customer Contract to establish such charges and rates for water supplied by it to consumers as will be sufficient at all times to (i) pay the cost of operation and maintenance of its waterworks system including those amounts necessary to pay its obligations under the Customer Contract, (ii) provide an adequate depreciation fund for its waterworks system, (iii) pay the principal of and interest on its waterworks system revenue bonds, and (iv) to pay the charges and rates established by the Commission for the sale of water by the Commission to the Contract Customer. The Contract Customer also covenanted, among other things, to maintain its existence as an Illinois municipal corporation, subject to certain permitted transactions specified in the Des Plaines Customer Contract, to own, maintain and operate properly its waterworks system; and not to sell or otherwise convey its waterworks system except to the Commission or another entity approved by the Commission.

THE WATER SUPPLY SYSTEM

The Commission commenced construction of its System in March 1982. The essential elements of the System are transmission mains, a booster pumping station, a 25 million gallon storage reservoir, a main pumping station and delivery structures. All of the structures, except for the storage reservoir, were substantially completed by the end of 1985. Total project expenditures were approximately \$79 million. All major construction was completed by the end of calendar year 1986. See “**NORTHWEST WATER COMMISSION – Facilities and Employment**” herein. Installation of new pumps and drives at the main pumping station was completed in 1998.

The total project cost was financed from initial contributions of the Members in the amount of \$35,280,000 and from the proceeds of the Commission's \$38,225,000 Series 1983 Bonds. In 1987, the Series 1983 Bonds were advance refunded by the Commission's \$45,150,000 Series 1987 Bonds. In 1993, the Series 1987 Bonds were advance refunded by the Commission's \$33,410,000 Series 1993 Bonds. A portion of the proceeds of the Series 1993 Bonds was also used for the construction of a booster station for the System. A portion of the proceeds of the Bonds will be used for acquiring, constructing, improving and equipping improvements to and extensions of the System. See “**THE PROJECT**” herein.

The Commission initiated operation of the System at approximately 50% of the Members' allocations in February 1985. With a minor exception relating to maintenance of Buffalo Grove's Local System, since late May 1986, the Commission has been delivering full water requirements to the Members. The System has experienced only minimal problems and is performing well. Water quality, as treated by Evanston, is considered by the Commission to be excellent.

THE EVANSTON CONTRACT

The Commission has entered into the Evanston Contract with the City of Evanston, which expires in 2035. In the Evanston Contract, the Commission agrees to purchase its water requirements and Evanston agrees to supply water from Lake Michigan (“Lake Water”) to the Commission, up to 55 million gallons per day, delivered at a rate not to exceed 75 million gallons per day. Expansion of the Evanston system's capacity to enable delivery of amounts in excess of 55 million gallons per day is subject to good faith negotiation between Evanston and the Commission. The Commission is not prohibited by the Evanston Contract from using well water or from securing an alternate supply of Lake Water to service any water requirements in excess of 55 million gallons per day.

The Commission began purchasing water from Evanston in February 1985 at a cost of 33 cents per 1,000 gallons. Under the amendments to the Evanston Contract in 1995, the Commission started to pay Evanston a base rate of 30.8 cents per 1,000 gallons for the year beginning October 1993, which thereafter was adjusted, and will continue to be adjusted, by a formula based in part on annual inflation.

The cost of water to the Commission for each of the last five fiscal years is presented below.

Fiscal Year Ending <u>April 30</u>	Cost of Water (per 1,000 gallons)
2010	\$0.5481
2011	0.5816
2012	0.5446
2013	0.6016
2014	0.6664
2015	0.6422

Source: The Commission

Either party has the right to reopen rate negotiations for water service. If one of the parties so elects to reopen negotiations and the parties are unable to agree upon a rate modification, the rate formula initially provided in the Evanston Contract shall be reinstated, subject to certain agreed upon understandings and interpretations. If either party elects to reopen rate negotiations, the other party may elect either to extend or to shorten the term of the Evanston Contract by five years.

THE EVANSTON WATERWORKS SYSTEM

The Evanston Waterworks System (the “Evanston System”) has been serving residents of Evanston since 1874 and residents of neighboring Skokie since 1944. The Evanston System currently serves an area of approximately 36 square miles with a population of approximately 365,000. Commencement of full service to the Commission increased the average daily volume of water furnished by the Evanston System by approximately 77% to 42 million gallons in fiscal 1987. In 2014, the average daily volume of water furnished by the Evanston System was approximately 37 million gallons.

The Evanston System draws water from Lake Michigan, treats and filters the water in a treatment plant, then pumps it to the Evanston distribution system and to wholesale customers, which includes the Commission. Treatment capacity of the Evanston plant is currently 108 million gallons per day, and pumping capacity is currently 130 million gallons per day (110 mgd with one pump out of service).

STATE WATER ALLOCATIONS AND USAGE

The amount of Lake Michigan water permitted to each of the Members of the Commission is set out in orders of the Illinois Department of Natural Resources (“IDNR”), which has succeeded to the Lake Michigan water allocation duties formerly performed by the Illinois Department of Transportation. The total amount of Lake Michigan water diversion by the State of Illinois is limited by an order of the United States Supreme Court. The total amount is allocated by IDNR among Illinois communities and governmental bodies. IDNR has allocated Lake Michigan water to requesting communities for a period ending in 2035. These allocations represent IDNR's estimates of the maximum amounts of water that will be required by each community. A condition to the use of Lake Michigan water is that the community cease taking water from its deep wells.

State Water Allocations(1) (Millions Gallons Per Day)

	<u>2010</u>	<u>2020</u>	<u>2030</u>	<u>Average Daily Actual Pumpage 2014</u>
Arlington Heights.....	10,714	10,890	10,188	7,936
Buffalo Grove.....	6,079	6,117	5,148	3,710
Palatine.....	7,859	8,505	8,435	6,343
Wheeling.....	<u>5,370</u>	<u>5,425</u>	<u>6,366</u>	<u>3,797</u>
Total.....	30,022	30,937	30,137	21,787

Note: (1) State Water Allocations are expressed in terms of quantity per annual average day. Actual use in a day may exceed average daily use. Under the Water Supply Contract each Member has the right to purchase in a day 1.8 times its average daily allocation based on its allocations as of 1983. The allocations shown here reflect each Member's current allocation. See **“WATER SUPPLY CONTRACT - General”**.

All Members have covenanted in the Water Supply Contract to use their best efforts to have their allocations meet their water requirements. The allocations may be modified by IDNR under certain conditions. If a community demonstrates that its needs are greater than its allocation, it may petition for an increase. Other circumstances which may result in modification of allocations include: general health and welfare needs requiring total reallocations; the failure to utilize an allocation; violation of certain conditions under which the allocation was awarded, such as failure to meet conservation standards; changes in pollution control or water quality standards; and a determination of changed dilution needs of the Metropolitan Water Reclamation District of Greater Chicago. In any allocation modification proceeding affecting a permittee, IDNR is required to determine the effect of the modification on any securities, debt obligations or contractual obligations of the permittee and to avoid any material adverse effect on those obligations. One condition of the allocation permits is that the total amount of water not accounted for may not exceed a specified percentage (8% after 1986). The Members are meeting this requirement.

NORTHWEST WATER COMMISSION

Background

The Commission has the power to acquire, construct and operate a water supply system, to sell revenue bonds to finance the acquisition and construction of such a system and to enter into contracts for the purchase of water and the sale of water to Members and others.

The rates and charges established by the Commission for the sale of water, as well as all other aspects of its budgeting, operating and financing activities, are not currently subject to regulation by any state or federal regulatory agency. All property, income and receipts of and transactions by the Commission are presently exempt from property or income taxation.

In 1957, the Commission began exploring the feasibility of obtaining Lake Michigan water. However, litigation in the United States Supreme Court and in Illinois courts regarding use of Lake Michigan water prevented the Commission from taking action on development of its System for over 20 years. The right of the Members to use Lake Michigan water was finally secured when State Water Allocation permits were granted in December, 1980. Planning negotiations among the Members and with Evanston proceeded during 1980 and 1981 and resulted in the present membership of the Commission, the signing of the Evanston Contract in March, 1981, the signing of the first water supply contract between the Members and the Commission in April, 1981, and commencement of construction of the System in March, 1982.

Facilities and Employment

The Commission's facilities start at the edge of Lake Michigan at the water plant owned and operated by the City of Evanston, Illinois. The water is pumped through a 60 inch diameter water main to a booster station located in Morton Grove. Typically, the booster station is not utilized and is normally bypassed. The booster station was only operated briefly in 2014 for testing purposes. Although the Commission owns the booster station, the cost of electricity to operate the booster station is borne by Evanston.

From the booster station, the water continues through the 60 inch main to the Commission's main pumping station/offices located at 1525 N. Wolf Road in Des Plaines. The water is fed into the Commission's only reservoir (25 million gallons capacity), from which it is then pumped to the Members through a 60 inch diameter line that is eventually reduced to a 48 inch line and smaller lines as it branches out to the four Members. There is an auxiliary booster station that feeds the Village of Buffalo Grove, which booster station is owned and operated by the Commission and located on Lake/Cook Road. The water mains utilized and owned by the Commission total more than 45 miles in length.

The Commission employs 12 full-time persons plus a part-time custodian. The 12 positions are: Interim Executive Director, Secretary, Superintendent, Assistant Superintendent and eight operators. The offices are staffed 24 hours a day. None of the employees are members of a collective bargaining unit.

Organization and Management

Responsibility for the Commission's broad operating and financial policies is vested in its Commissioners. The Act provides for the appointment of one Commissioner by elected officials of each Member municipality and one "at-large" Commissioner by elected officials of Cook County, Illinois, the county in which the majority of the water supply system is located. Four Commissioners also serve as the Village Managers or Public Works Directors of the four Member municipalities. They are:

William Brimm. Mr. Brimm received both his Bachelor of Science and Masters of Business Administration from Northern Illinois University in 1971 and 1996, respectively. He served with the Village of Buffalo Grove from January, 1978 until his retirement in June of 2010. He held various positions with the Village including Director of Finance and Administrative Services, Deputy Village Manager and Village Manager. Prior to joining the Village, he worked for a major Chicago bank for approximately 4 years. He was appointed by the Cook County Board to the statutory county position on the Board of Commissioners and was elected Chair, all in 2011.

Scott Shirley. Mr. Shirley attended the University of Illinois at Urbana Champaign and received his Bachelor of Science in Civil Engineering in 1983. He began municipal work in 1988 as the Assistant Director of Public Works for the Village of Wheeling. While working for Wheeling Mr. Shirley obtained an MBA at Northern Illinois University taking evening classes. In 1993, he was hired as the Director of Public Works for the City of Des Plaines and served in that capacity until 1999 when he was hired into his current position as the Director of Public Works for the Village of Arlington Heights. Mr. Shirley been a member in good standing of both the APWA and the AWWA for 27 years and am now serving as the Village of Arlington Height's Commissioner to the Northwest Water Commission.

Reid T. Ottesen. Mr. Ottesen received his Bachelor of Arts degree in 1989 from the University of Iowa, and his Master of Public Administration degree in 1990 and his Masters of Science degree in 1991, both from the University of Iowa. He has been the Village Manager for the Village of Palatine since 2004. Prior to that he served as the Assistant Village Manager and Director of Economic Development for the Village of Palatine and as an Assistant to the City Manager and Economic Development Administrator of Peoria, Illinois.

Jon Sfondilis. Mr. Sfondilis received his Bachelor of Arts degree in 1998 from Columbia College Chicago, and a Master of Business Administration from the University of Phoenix in 2006. He has been the Village Manager for the Village of Wheeling since 2009, but has a total of 22 years of service with the community. Prior to the Manager appointment, he held several positions of ascending authority within the organization.

Dane Bragg. Mr. Bragg received his Bachelor of Arts in Urban Planning degree from the University of Illinois in 1997, and his Master of Business Administration degree from Millikin University in 2003. He has served as the Village Manager of Buffalo Grove since 2010, previously holding positions as the City Manager of Galesburg, Illinois and Assistant City Manager of Decatur, Illinois.

Day to day administrative and operating functions of the Commission are the responsibility of the Interim Executive Director, who reports directly to the Commissioners and is accountable for operation of the System and of general Commission administration under Commission policies and directives. The Interim Executive Director of the Commission is:

William J. Ganek. Mr. Ganek received a Bachelor of Arts degree in 1976 from Valparaiso University, received Masters of Science degree in Urban and Regional Planning from Southern Illinois University at Edwardsville in 1978 and a Master's in Public Administration from Northern Illinois University in 1987. He is retired from the Village of Algonquin as a Village Manger for 21 years. Prior to that position he served as the Director of Planning for the City of Crystal Lake for nine years and Senior Planner for McHenry County Illinois.

Pumpage

Presented below are pumpage statistics for the Commission.

Year	Commission Pumpage (Gallons) (1)	
	Total Pumpage to Members	Average Daily Pumpage
2005.....	8,995,617,000	24,645,526
2006.....	9,827,673,000	26,925,132
2007.....	8,991,549,000	24,634,381
2008.....	8,991,970,000	24,635,534
2009.....	8,517,227,000	23,334,868
2010.....	8,428,878,000	23,092,816
2011.....	8,381,976,000	22,964,318
2012.....	8,128,825,000	22,208,429
2013.....	8,630,047,000	23,643,964
2014.....	8,189,421,000	22,436,770

Note: (1) Source: the Commission.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table presents the annual debt service requirements of the Commission.

Annual Debt Service Requirements(I)

Fiscal Year Ended April 30:	The Bonds			Total Debt Service
	Principal	Interest	Total	
2016.....		\$ 126,811	\$ 126,811	\$ 126,811
2017.....	\$1,000,000	234,113	1,234,113	1,234,113
2018.....	1,025,000	214,113	1,239,113	1,239,113
2019.....	1,045,000	193,613	1,238,613	1,238,613
2020.....	1,065,000	172,713	1,237,713	1,237,713
2021.....	1,085,000	151,413	1,236,413	1,236,413
2022.....	1,105,000	129,713	1,234,713	1,234,713
2023.....	1,130,000	104,850	1,234,850	1,234,850
2024.....	1,165,000	70,950	1,235,950	1,235,950
2025.....	<u>1,200,000</u>	<u>36,000</u>	<u>1,236,000</u>	<u>1,236,000</u>
Total.....	\$9,820,000	\$1,434,286	\$11,254,286	\$11,254,286

Note: (1) Source: The Commission

SERVICE AREA OF THE COMMISSION

General

The area served by the Commission's Members is a contiguous geographic area of approximately 48 square miles located 25 to 30 miles northwest of downtown Chicago. The area is primarily single-family residential, although there are significant commercial and industrial establishments in the area as well.

Population Information

The population of the Members' service area has increased from approximately 140,000 to approximately 223,000 in the past 30 years. Per capita income and median family income in the area have increased more rapidly than in Cook County, or the State of Illinois, to levels higher than in Cook County or the State. Median home values in the Member communities are in excess of Cook County and the State of Illinois median home values. See **“SOCIOECONOMIC INFORMATION”** for certain demographic information on the Members.

Census Population Figures(1)

	1980	1990	2000	2010
Members:				
Arlington Heights.....	66, 116	75, 460	76, 031	75, 101
Buffalo Grove.....	22, 230	36, 398	42, 909	41, 496
Palatine.....	32, 166	39, 253	65, 479	68, 557
Wheeling.....	<u>23, 266</u>	<u>29, 911</u>	<u>34, 496</u>	<u>37, 648</u>
Total.....	143, 778	181, 022	218, 915	222, 802
Contract Customer:				
Des Plaines.....	53, 568	53, 414	56, 945	58, 364
Cook County.....	5, 253, 655	5, 105, 067	5, 376, 741	5, 194, 675
State of Illinois.....	11, 426, 518	11, 430, 602	12, 419, 293	12, 830, 632

Note: (1) Source: U. S. Bureau of the Census.

SOCIOECONOMIC INFORMATION

Certain demographic information is not available for the Commission. The following statistics principally pertain to the Members, the Contract Customer and Cook County (the "County"). Additional comparisons are made with the State of Illinois (the "State").

Employment

Following are lists of large employers located in the Members.

Major Member Employers(1)

Location	Name	Product/Service	Approximate Employment
Arlington Heights.....	Northwest Community Hospital.....	Hospital.....	4, 000
Buffalo Grove.....	Siemens Building Technologies.....	Building Control Systems.....	1, 800
Wheeling.....	Durable Packaging International.....	Aluminum Foil Products.....	1, 500
Buffalo Grove.....	I. S. I.....	Management Consultants.....	1, 200
Arlington Heights.....	Clearbrook.....	Job Training and Family Services.....	1, 000
Palatine.....	William Rainey Harper College.....	Community College.....	840
Wheeling.....	Handi-Foil Corp.....	Aluminum Foil Products.....	800
Wheeling.....	Segerdahl Corp.....	Lithographic Printing.....	700
Wheeling.....	National-Louis University.....	Higher Education.....	600
Buffalo Grove.....	ABS Consulting.....	Business Consultants.....	550
Arlington Heights.....	Paddock Publications, Inc.....	Newspaper Publishers.....	550
Arlington Heights.....	Alexian Brothers Health System.....	Hospital.....	500
Wheeling.....	Crothall Laundry Systems.....	Industrial Laundry Services.....	500
Wheeling.....	Durable, Inc.....	Aluminum Foil Products.....	500
Arlington Heights.....	Level 3 Communications, LLC.....	Data and Voice Communications Services.....	500
Arlington Heights.....	Paylocity Corporation.....	Payroll Services.....	500
Arlington Heights.....	RH Donnelly, Inc.....	Telephone Directory Publishing.....	500
Wheeling.....	Shure, Inc.....	Microphones and Audio Products.....	500

Note: (1) Source: 2015 Illinois Manufacturers Directory, 2015 Illinois Services Directory and a selective telephone survey.

The following tables show employment by industry and by occupation for the Commission, the County and the State as reported by the U.S. Census Bureau 2009-2013 American Community Survey 5-year estimated values.

Employment By Industry(I)

Classification	The Members		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting, and Mining.	224	0.2%	4,274	0.2%	63,113	1.1%
Construction.....	4,590	3.9%	110,281	4.6%	310,368	5.2%
Manufacturing.....	15,824	13.4%	257,608	10.7%	756,029	12.6%
Wholesale Trade.....	4,908	4.2%	67,710	2.8%	184,209	3.1%
Retail Trade.....	13,732	11.7%	240,490	10.0%	655,654	10.9%
Transportation and Warehousing, and Utilities.....	5,499	4.7%	150,690	6.2%	348,569	5.8%
Information.....	3,080	2.6%	57,227	2.4%	126,311	2.1%
Finance and Insurance, and Real Estate and Rental and Leasing.....	10,433	8.9%	199,758	8.3%	447,732	7.5%
Professional, Scientific, and Management, and Administrative and Waste Management Services.....	16,840	14.3%	325,145	13.5%	666,163	11.1%
Educational Services and Health Care and Social Assistance.....	23,845	20.3%	549,874	22.8%	1,379,821	23.0%
Arts, Entertainment and Recreation and Accommodation and Food Services.....	10,425	8.9%	238,442	9.9%	538,646	9.0%
Other Services, Except Public Administration.....	6,100	5.2%	122,019	5.1%	286,928	4.8%
Public Administration.....	2,209	1.9%	91,280	3.8%	234,777	3.9%
Total.....	117,709	100.0%	2,414,798	100.0%	5,998,320	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2009-2013.

Employment By Occupation(I)

Classification	The Members		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Management, Business, Science and Arts	54,940	45.5%	912,843	37.8%	2,183,077	36.4%
Service	18,800	15.6%	437,136	18.1%	1,036,503	17.3%
Sales and Office	29,998	24.9%	601,021	24.9%	1,509,578	25.2%
Natural Resources, Construction, and Maintenance	5,342	4.4%	149,865	6.2%	444,958	7.4%
Production, Transportation, and Material Moving.....	11,629	9.6%	313,933	13.0%	824,204	13.7%
Total.....	120,709	100.0%	2,414,798	100.0%	5,998,320	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2009-2013.

Annual Average Unemployment Rates(I)

Calendar Year	Arlington Heights	Buffalo Grove	Palatine	Wheeling	Des Plaines	Cook County	State of Illinois
2004	4.5%	4.2%	4.9%	5.4%	6.1%	6.6%	6.2%
2005	4.2%	3.7%	4.5%	5.0%	5.9%	6.5%	5.7%
2006	3.2%	3.1%	3.4%	3.7%	4.3%	4.7%	4.5%
2007	3.5%	3.5%	3.8%	3.9%	4.6%	5.1%	5.0%
2008	4.3%	4.7%	4.9%	4.9%	5.8%	6.5%	6.5%
2009	7.7%	8.0%	8.5%	8.6%	10.3%	11.0%	10.5%
2010	8.0%	7.9%	9.3%	8.8%	10.1%	10.5%	10.3%
2011	7.6%	7.2%	8.6%	8.5%	9.0%	10.4%	9.8%
2012	7.2%	6.8%	7.8%	7.9%	8.5%	9.3%	8.1%
2013	7.0%	6.7%	7.7%	7.8%	8.3%	9.6%	9.1%
2014	5.4%	5.3%	5.8%	5.9%	6.3%	5.6%	5.7%
2015 (2)	4.5%	4.2%	4.8%	4.8%	5.1%	6.3%	5.6%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of May 2015.

Housing

Median Home Values(1)

	1990 <u>Census</u>	2000 <u>Census</u>	2009-2013 American Community <u>Survey</u>
Members:			
Arlington Heights.....	\$169,100	\$240,600	\$325,200
Buffalo Grove.....	163,600	236,200	304,100
Palatine.....	149,600	199,200	277,700
Wheeling.....	113,400	160,900	193,100
Contract Customer:			
Des Plaines.....	\$130,000	\$184,600	\$242,700
Cook County.....	\$102,100	\$157,700	\$231,200
State of Illinois.....	80,900	130,800	182,300

Note: (1) Source: U. S. Bureau of the Census, American Community Survey 5-year estimates 2009-2013.

Income

The following shows a ranking of median family income for the Chicago metropolitan area from the 2009-2013 American Community Survey.

Per Capita Personal Income for the Highest Income Counties in the State(1)

Rank		2009-2013
1.....	DuPage County	\$38,570
2.....	Lake County	38,018
3.....	McHenry County	32,341
4.....	Monroe County	31,758
5.....	Kendall County	31,276
6.....	Piatt County	31,190
7.....	Woodford County	30,926
8.....	McLean County	30,460
9.....	Will County	30,377
10.....	Cook County	30,183
11.....	Kane County	30,082

Note: (1) Source: U.S. Bureau of the Census. 2009-2013 American Community 5-Year Estimates.

The following shows a ranking of median family income for the Chicago metropolitan area from the 2009-2013 American Community Survey.

Ranking of Median Family Income(1)

<u>County</u>	<u>Family Income</u>	<u>Rank</u>
DuPage County	\$95,208	1
Lake County	92,116	2
Kendall County	91,368	3
McHenry County	87,760	4
Will County	86,747	5
Kane County	80,085	8
Cook County	66,187	24

Note: (1) Source: U.S. Bureau of the Census 2009-2013 American Community Survey 5-Year Estimates.

The U.S. Census Bureau 5-year estimated values reported that the Commission Members had a median family income of between \$65,791 and \$110,956. This compares to \$66,187 for the County and \$70,344 for the State. The following table represents the median family incomes for the Members, the Customer, the County and the State at the time of the 2009-2013 American Community Survey.

Median Family Income(1)

	1990 Census	2000 Census	2009-2013 American Community Survey
Members:			
Arlington Heights.....	\$60,587	\$84,488	\$ 97,617
Buffalo Grove.....	62,126	92,583	110,956
Palatine.....	57,376	76,270	88,820
Wheeling.....	44,966	63,088	65,791
Contract Customer:			
Des Plaines.....	\$48,052	\$65,806	\$ 78,519
Cook County.....	\$39,296	\$53,784	\$ 66,187
State of Illinois.....	38,664	55,545	70,344

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2009-2013.

THE MEMBERS AND MEMBERS' LOCAL SYSTEMS

The Members

Each of the Members is a home rule unit of government under the Constitution of the State of Illinois and is governed by an elected President and Board of Trustees. Each of the Members is administered by a Village Manager who is appointed by the President and Board of Trustees. The Village Managers or Public Works Directors of the four Members currently serve as Commissioners.

As home rule units of government, the Members have general powers to incur debt and to levy general real estate taxes. The equalized assessed valuations of taxable property and the estimated actual value of taxable property for each of the Members are shown below.

Trend of Equalized Assessed Valuation(1)

Member	Levy Years				
	2010	2011	2012	2013	2014
Arlington Heights.....	\$3,399,641,981	\$3,093,768,989	\$2,859,958,555	\$2,477,913,486	\$2,504,219,769
Buffalo Grove.....	1,774,100,787	1,664,431,364	1,531,173,377	1,417,116,013	1,425,060,788
Palatine.....	2,182,205,171	1,987,066,782	1,849,082,881	1,589,762,203	1,606,971,343
Wheeling.....	1,220,857,991	1,083,055,832	992,323,253	833,001,734	852,263,415
Total.....	\$8,576,805,930	\$7,828,322,967	\$7,232,538,066	\$6,317,793,436	\$6,388,515,315
Total Estimated					
Actual Value.....	\$25,730,417,790	\$23,484,968,901	\$21,697,614,198	\$18,953,380,308	\$19,165,545,945

Note: (1) Source: Lake and Cook County Clerks.

The Local Systems

Each of the Members operates a combined waterworks and sewerage system which supplies water to customers and collects sewerage from customers for treatment by the Metropolitan Water Reclamation District of Greater Chicago (MWRD) or, in the Lake County portion of Buffalo Grove, the Lake County Public Works Department. The MWRD, a separate unit of government which provides sewerage treatment for most of Cook County including the Cook County area of the Members, is supported by general property taxes, and the Member rates for Cook County customers of the Local Systems include cost of sewage collection but no charge for sewage treatment. Buffalo Grove Local System customers who are located in Lake County pay a surcharge for costs of sewage treatment.

Improvements to each of the Members' Local Systems to accommodate water deliveries from the Commission have been financed by revenue and general obligation bonds of the individual Members. All improvements have been substantially completed.

The following are descriptions of the individual Local Systems, including financial position, rates, and historical financial information.

Village of Arlington Heights

The Village of Arlington Heights is the largest Member of the Commission, with a 2010 Census population of 75,101. Its Local System served 20,788 metered customers as of April 30, 2014, which reflects the water demands of a total of 30,451 dwelling units. The Village of Arlington Heights Local System represents a substantial capital investment. This Local System contains over 245 miles of watermains, ranging in size from 4" to 24". The Local System has two one million gallon elevated water storage tanks and eight ground storage tanks having an aggregate ground storage capacity of 31 million gallons. The average daily pumpage is approximately 7.5 million gallons. Summer peaks approach 20 million gallons a day. The nameplate capacity of the pumpage works is 44 million gallons per day. The Village maintains five deep-water wells for emergency supply purposes in the event of an interruption to the supply from the Commission.

The following tables show various data regarding the Local System, including rates, financial position, historical revenues and expenses. The source for each of these tables is the Village of Arlington Heights.

Local System Data

	Fiscal Year Ended April 30				
	2010	2011	2012	2013	2014
Water and Sewer Customers (Metered Connections)	20,875	20,907	20,969	20,961	20,962
Water Pumped (Million Gallons)	3,033	2,879	3,113	2,795	2,814
Average Daily Demand (Million Gallons)	8.1	8.2	7.7	7.1	7.5
Maximum Daily Demand (Million Gallons)	13.0	14.8	14.9	11.5	10.4

Notes: (1) Source: Village of Arlington Heights.

Water Usage History(1)

Year	Thousands of Gallons Pumped	Thousands of Gallons Billed
2014	2,814,150	2,637,490
2013	2,795,900	2,529,450
2012	3,113,450	2,755,750
2011	2,879,850	2,624,350
2010	3,033,150	2,679,100
2009	3,047,750	2,671,800
2008	3,062,350	2,802,470
2007	3,168,200	2,866,350
2006	3,275,880	2,906,500
2005	3,488,225	Not Available

Note: (1) Source: the Village of Arlington Heights.

Water Usage by Customer Class(1) (For the Fiscal Year Ended April 30, 2014)

	Number of Customers	Total Gallons Billed (Thousands)
Residential	19,782	1,692,594
Commercial	1,046	835,212
Industrial	53	54,186
Total	20,881	2,581,992

Note: (1) Source: the Village of Arlington Heights.

Village of Arlington Heights Water Customer Rates

The current water rates are \$5.56 per 1,000 gallons of water per customer, with a bimonthly service charge of \$5.20 per account.

Village of Arlington Heights Summary Financial Information

Waterworks and Sewerage Fund Summary Statement of Financial Position (As of April 30, 2014)

<u>Assets</u>		<u>Liabilities and Equity</u>	
Current Assets.....	\$ 6,009,715	Current Liabilities.....	\$ 556,237
Other Assets.....	14,834,170	Restricted Liabilities.....	0
Fixed Assets, Net.....	28,021,724	Bonds Payable.....	0
Total Assets.....	<u>\$48,865,609</u>	Other Long Term Liabilities.....	517,887
		Total Liabilities.....	\$1,074,124
		Invested in Capital Assets.....	\$28,021,724
		Unrestricted.....	19,769,761
		Net Position.....	<u>\$47,791,485</u>

Note: (1) Source: the Village of Arlington Heights.

**Waterworks and Sewerage Fund
 Historical Revenues, Expenses and Debt Service Coverage**

	Year Ended April 30				
	2010	2011	2012	2013	2014
Operating Revenues.....	\$12,027,110	\$12,848,931	\$13,113,472	\$14,504,907	\$14,232,051
Operating Expenses (Net of Depreciation)...	12,734,290	13,750,981	13,483,848	14,331,095	14,122,478
Net Revenue Available for Debt Service.....	\$ (707,180)	\$ (902,050)	\$ (370,376)	\$ 173,812	\$ 109,573
Debt Service on Water and Sewer					
Revenue Bonds(2).....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Coverage.....	(2)	(2)	(2)	(2)	(2)

Notes: (1) Source: the Village of Arlington Heights.
 (2) All debt for fiscal years 2010 through 2014 is general obligation indebtedness.

Village of Arlington Heights Largest Water Users

**Largest Water Users(1)
 (As of April 30, 2015)**

User	Description of Business	Consumption In Gallons (000)
Tanglewood Apartments.....	Apartments.....	97,846
Arlington International Race Track.....	Race Track.....	43,209
Northwest Community Hospital.....	Hospital.....	34,497
Northwest Community Wellness Center.....	Hospital.....	27,844
Stonebridge Village Apartments.....	Residential.....	27,272
Lutheran Home.....	Residential.....	26,157
Dana Point.....	Residential.....	23,807
Hudson Respiratory.....	Manufacturing.....	23,303
The Moorings.....	Real Property.....	19,807
Arbor Lakes.....	Residential.....	15,093

Note: (1) Source: the Village of Arlington Heights.

Village of Buffalo Grove

Buffalo Grove, with a 2010 Census population of 41,496, has a Local System which provided water and sewerage services to 11,916 metered locations and which reflected the water demands of 780 families and 11,136 commercial businesses as of December 31, 2014. The Local System includes approximately 156 miles of water mains and storage capacity of approximately 6.3 million gallons. In fiscal year 2014, approximately 19% of Local System water was sold to commercial and industrial customers, none of which individually bought more than 2% of water sold.

The following tables show various data regarding the Local System, including rates, financial position, and historical revenues and expenses. The source for each of these tables is the Village of Buffalo Grove.

Local System Data

	Fiscal Year Ended December 31				
	2010	2011	2012	2013	2014
Water and Sewer Customers (Metered Connections)	11,670	11,946	11,969	11,867	11,919
Water Pumped (Million Gallons)	1,531	1,420	1,433	1,311	1,217
Average Daily Demand (Million Gallons)	4.30	4.09	3.92	3.70	3.58
Maximum Daily Demand (Million Gallons)	7.30	7.84	7.93	6.20	5.40

Notes: (1) Source: Village of Buffalo Grove.

Water Usage History(1)

Year	Thousands of Gallons Pumped	Thousands of Gallons Billed
2014	1,217,648	1,136,719
2013	1,311,146	1,270,127
2012	1,433,612	1,369,360
2011	1,420,868	1,350,900
2010	1,531,616	1,334,342
2009	1,537,998	1,368,150
2008	1,513,797	1,400,855
2007	1,741,500	1,507,589
2006	1,684,056	1,542,693
2005	1,859,484	1,695,384

Note: (1) Source: the Village of Buffalo Grove.

Water Usage by Customer Class(1)
 (For the Fiscal Year Ended December 31, 2014)

	Number of Customers	Total Gallons Billed (Thousands)
Residential	11,153	896,064
Commercial	614	296,249
Industrial	152	73,780
Total	11,919	1,266,093

Note: (1) Source: the Village of Buffalo Grove.

Village of Buffalo Grove Water Customer Rates

The current water rates are \$4.21 per 1,000 gallons of water per customer.

Village of Buffalo Grove Summary Financial Information

**Waterworks and Sewerage Fund
 Summary Statement of Financial Position
 (As of December 31, 2014)**

<u>Assets</u>		<u>Liabilities and Equity</u>	
Current Assets.....	\$4,552,640	Current Liabilities.....	\$ 1,358,065
Restricted Assets.....	7,156,045	Restricted Liabilities.....	0
Fixed Assets, Net.....	<u>27,416,502</u>	Bonds Payable.....	0
Total Assets.....	<u>\$39,125,187</u>	Other Long Term Liabilities.....	<u>424,655</u>
		Total Liabilities.....	\$ 1,782,720
		Invested in Capital Assets.....	\$ 27,416,502
		Unrestricted.....	<u>9,925,965</u>
		Net Position.....	\$ 37,342,467

Note: (1) Source: the Village of Buffalo Grove.

**Waterworks and Sewerage Fund
 Historical Revenues, Expenses and Debt Service Coverage**

	Year Ended December 31				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues.....	\$9,091,520	\$7,782,000	\$7,464,870	\$8,692,812	\$9,264,312
Operating Expenses (Net of Depreciation)...	<u>8,669,706</u>	<u>7,715,792</u>	<u>7,635,241</u>	<u>6,996,322</u>	<u>7,019,813</u>
Net Revenue Available for Debt Service.....	\$ 421,814	\$ 66,208	\$ (170,371)	\$1,696,490	\$2,244,499
Debt Service on Water and Sewer					
Revenue Bonds(2).....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Coverage.....	(2)	(2)	(2)	(2)	(2)

Notes: (1) Source: the Village of Buffalo Grove.
 (2) All debt for fiscal years 2010 through 2014 is general obligation indebtedness.

Village of Buffalo Grove Largest Water Users

Largest Water Users(1)
(As of June 1, 2015)

<u>User</u>	<u>Description of Business</u>	<u>Consumption In Gallons (000)</u>
Villa Verde Condos	Residential	17,648
Cambridge on the Lake	Residential	17,547
Oak Creek Condo	Residential	11,764
Claremont Assisted Living	Healthcare	6,013
Buffalo Grove Fitness Center	Fitness Center	5,564
Wyndham Garden Inn	Hotel	4,950
Plexus Corporation	Electronic Parts Supplier	4,845
Buffalo Grove High School	Education	4,440
Buffalo Venture LLC	Real Property	4,131
REXAM	Real Property	4,080

Note: (1) Source: the Village of Buffalo Grove.

Village of Palatine

The Palatine Local System serves the Village of Palatine, with a 2010 population of 68,557, and unincorporated adjoining areas, with an estimated 2010 population of approximately 3,000. The Village purchased the Ferndale Heights water system in 1981 and has interconnected the Village system with the Ferndale Heights system to form a single Local System which includes 158 miles of water mains and 17.6 million gallons of storage capacity. As of December 31, 2014, the System provided water and sewer services to approximately 19,181 metered locations. Commercial and industrial customers account for less than 5% of the Local System's water sales.

The following tables show various data regarding the Local System, including rates, financial position, and historical revenues and expenses. The source for all of these tables is the Village of Palatine.

Local System Data

	Fiscal Year Ended December 31				
	2010	2011	2012	2013	2014
Water and Sewer Customers (Metered Connections)	19,644	19,473	19,481	19,584	19,181
Water Pumped (Million Gallons)	2,390	2,359	2,530	2,400	2,308
Average Daily Demand (Million Gallons)	6.44	6.47	6.93	6.57	6.30
Maximum Daily Demand (Million Gallons) (2)	NA	NA	NA	NA	NA

Notes: (1) Source: Village of Palatine.

(2) Maximum daily demand statistics are not currently available from the Village.

Water Usage History(1)

Year	Thousands of	Thousands of
	Gallons Pumped	Gallons Billed
2014	2,307,500	2,044,454
2013	2,399,830	2,067,539
2012	2,530,160	(2)
2011	2,358,630	(2)
2010	2,390,190	2,157,265
2009	2,349,880	(2)
2008	2,417,920	(2)
2007	2,561,310	2,300,624
2006	2,471,840	2,283,822
2005	2,793,612	2,665,261

Note: (1) Source: the Village of Palatine.
 (2) Information not currently available.

Water Usage by Customer Class(1) (For the Fiscal Year Ended December 31, 2014)

	Number of	Total Gallons
	Customers	Billed (Thousands)
Residential	16,861	983,502
Commercial/Industrial	2,320	1,060,952
Total	19,181	2,044,454

Note: (1) Source: the Village of Palatine.

Village of Palatine Water Customer Rates

The current water rates range between \$3.66 to \$13.04 per 1,000 gallons of water per customer per month for usage under 74,810 gallons. In excess of 74,810 gallons, the water rates range between \$4.70 and \$14.08 per 1,000 gallons of water per customer per month. The minimum water usage bill is for 5,000 gallons, excluding bimonthly service charges of between \$2.14 and \$2.50.

Village of Palatine Summary Financial Information

Waterworks and Sewerage Fund Summary Statement of Financial Position (As of December 31, 2014)

Assets		Liabilities and Equity	
Current Assets	\$ 8,563,129	Current Liabilities	\$ 3,844,510
Other Assets	11,769,890	Restricted Liabilities	0
Fixed Assets, Net	12,557,240	Bonds Payable	0
Total Assets	\$32,890,259	Other Long Term Liabilities	2,073,961
		Total Liabilities	\$ 5,918,471
		Invested in Capital Assets	\$10,963,075
		Unrestricted	16,010,068
		Net Position	\$26,973,143

Note: (1) Source: the Village of Palatine.

Waterworks Fund Historical Revenues, Expenses and Debt Service Coverage

	Year Ended December 31				
	2010	2011	2012	2013	2014
Operating Revenues.....	\$7,208,475	\$9,084,694	\$9,818,910	\$9,767,730	\$10,277,604
Operating Expenses (net of depreciation)....	4,960,955	5,980,761	6,102,875	6,419,661	7,093,649
Net Revenue Available for Debt Service.....	\$2,247,520	\$3,103,933	\$3,716,035	\$3,348,069	\$ 3,183,955
Debt Service on Water and Sewer					
Revenue Bonds (2).....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Coverage.....	(2)	(2)	(2)	(2)	(2)

Notes: (1) Source: the Village of Palatine.

(2) All debt for fiscal years 2010 through 2014 is general obligation indebtedness.

Village of Palatine Largest Water Users

Largest Water Users (1) (As of December 31, 2014)

User	Description of Business	Consumption In Gallons (000)
Arlington Plating	Plating, Chrome Finish	64,463
Countryside Condo Assoc	Condominiums	31,764
Heritage Manor Condo Assoc	Condominiums	31,151
Bourbon Square	Apartments	29,248
Village Green	Apartments	27,547
Harper Junior College	Education	24,636
Windhaven Condo Assoc	Condominiums	23,137
Midtown Athletic Club	Athletic Club	19,437
Weber Stephens	Grill Manufacturing	17,717
Runaway Bay Condo Assoc.....	Condominiums	17,193
Delta Sonic Car Wash.....	Car Wash.....	15,921

Note: (1) Source: the Village of Palatine.

Village of Wheeling

Wheeling has a 2010 Census population of 37,648. Wheeling has a Local System which served 7,390 residential and 640 commercial and industrial customers as of December 31, 2014. The Local System includes 131 miles of water mains and storage capacity of 11.2 million gallons.

The following tables show various data regarding the Local System, including rates, financial position, and historical revenues and expenses. The source for all of these tables is the Village of Wheeling.

Local System Data (1)

	Fiscal Year Ended December 31				
	2010	2011	2012	2013	2014
Water and Sewer Customers					
(Metered Connections)	7,872	7,864	7,906	7,988	8,025
Water Pumped					
(Million Gallons)	1,538	1,462	1,435	1,400	1,381
Average Daily Demand					
(Million Gallons)	4.23	3.94	4.02	3.83	3.78
Maximum Daily Demand					
(Million Gallons)	4.80	4.68	4.98	4.28	4.12

Notes: (1) Source: Village of Wheeling.

Water Usage History (1)

Year	Thousands of	Thousands of
	Gallons	Gallons
	<u>Pumped</u>	<u>Billed</u>
2014	1,380,512	1,144,678
2013	1,399,711	1,212,901
2012	1,434,774	1,229,944
2011	1,461,605	1,216,363
2010	1,538,303	1,195,905
2009	1,471,438	1,221,292
2008	1,572,729	1,364,548
2007	1,654,510	1,404,437
2006	1,663,692	1,438,816
2005	1,766,946	1,529,506

Note: (1) Source: the Village of Wheeling.

Water Usage by Customer Class(1) (For the Fiscal Year Ended December 31, 2014)

	Number of	Total Gallons
	Customers	Billed
		<u>(Thousands)</u>
Residential	7,390	798,560
Commercial	342	156,405
Industrial	293	198,713
Total	8,700	1,144,678

Note: (1) Source: the Village of Wheeling.

Village of Wheeling Water Customer Rates

The current water rates are \$5.65 per 1,000 gallons of water per customer, with a minimum water bill of \$16.95 per account.

Village of Wheeling Summary Financial Information

Waterworks and Sewerage Fund Summary Statement of Financial Position (As of December 31, 2014)

<u>Assets</u>		<u>Liabilities and Equity</u>	
Current Assets	\$ 7,052,843	Current Liabilities	\$ 816,651
Other Assets	7,981,380	Restricted Liabilities	
Fixed Assets, Net	<u>42,320,012</u>	Bonds Payable	
Total Assets	\$57,354,235	Other Long Term Liabilities	<u>3,942,231</u>
		Total Liabilities	\$ 4,758,882
		Invested in Capital Assets	\$38,135,341
		Unrestricted	<u>14,460,012</u>
		Net Position	<u>\$52,595,353</u>

Note: (1) Source: the Village of Wheeling.

Waterworks Fund Historical Revenues, Expenses and Debt Service Coverage

	Year Ended December 31				
	2010	2011	2012	2013	2014
Operating Revenues.....	\$7,581,079	\$7,602,690	\$8,238,103	\$8,241,350	\$8,066,325
Operating Expenses (net of depreciation)...	<u>5,844,952</u>	<u>5,769,342</u>	<u>6,650,902</u>	<u>6,713,967</u>	<u>7,073,756</u>
Net Revenue Available for Debt Service.....	\$1,736,127	\$1,833,348	\$1,587,201	\$1,527,383	\$ 992,569
Debt Service on Water and Sewer					
Revenue Bonds(2).....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Coverage.....	(2)	(2)	(2)	(2)	(2)

Notes: (1) Source: the Village of Wheeling.
(2) All debt for fiscal years 2010 through 2014 is general obligation indebtedness.

Village of Wheeling Largest Water Users

Largest Water Users(1) (As of December 31, 2014)

User	Description of Business	Consumption In Gallons (000)
Healthcare Laundry.....	Laundry Services.....	51,295
Clorox.....	Cleaning Products.....	24,688
Westin Hotel.....	Hotel.....	17,148
Bob Chin's Crabhous.....	Restaurant.....	8,706
Valspar.....	Paints, Coatings and Resins.....	7,869
Pine Hill Apartments.....	Apartment Complex.....	7,842
Accellent Endoscopy.....	Healthcare.....	6,429
Lexington Health Care Center.....	Healthcare and Rehabilitation.....	6,471
Tomowgawa.....	Copier and Printer Toner.....	6,314
Woodland Creek Apartments.....	Apartment Complex.....	6,044

Note: (1) Source: the Village of Wheeling.

FINANCIAL INFORMATION

Financial Reports

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The financial records of the Commission are maintained utilizing the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The Commission has been awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the last 25 years. See **APPENDIX A** for more detail.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. For the fiscal year ended April 30, 2016 the Commission budgeted for a slight surplus. To date, revenues and expenditures are generally within budgeted amounts. See **APPENDIX A** for the Commission's audited financial statements for the fiscal year ended April 30, 2015.

Northwest Water Commission Balance Sheet

Audited as of April 30

	2011	2012	2013	2014	2015
CURRENT ASSETS:					
Cash and Cash Equivalents.....	\$ 2,471,751	\$ 2,687,457	\$ 2,302,411	\$12,750,776	\$13,908,150
Accounts Receivable.....	<u>16,476</u>	<u>19,815</u>	<u>22,984</u>	<u>9,217</u>	<u>12,036</u>
Total Current Assets.....	<u>\$ 2,488,227</u>	<u>\$ 2,707,272</u>	<u>\$ 2,325,395</u>	<u>\$12,759,993</u>	<u>\$13,920,186</u>
RESTRICTED ASSETS:					
Cash and Cash Equivalents.....	\$ 9,060,393	\$ 9,230,898	\$ 9,429,334	\$ 0	\$ 0
Cash at Paying Agent.....	<u>2,147,238</u>	<u>2,202,613</u>	<u>2,255,363</u>	<u>0</u>	<u>0</u>
Total Restricted Assets.....	<u>\$11,207,631</u>	<u>\$11,433,511</u>	<u>\$11,684,697</u>	<u>\$ 0</u>	<u>\$ 0</u>
FIXED ASSETS:					
Capital Assets.....	\$85,171,152	\$85,257,888	\$85,409,778	\$86,124,456	\$86,900,286
Accumulated Depreciation.....	<u>(51,795,676)</u>	<u>(53,548,540)</u>	<u>(55,305,883)</u>	<u>(57,091,922)</u>	<u>(58,880,008)</u>
Total Fixed Assets.....	<u>\$33,375,476</u>	<u>\$31,709,348</u>	<u>\$30,103,895</u>	<u>\$29,032,534</u>	<u>\$28,020,278</u>
OTHER ASSETS:					
Longterm Receivable.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Assets.....	<u>71,803</u>	<u>36,780</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Assets.....	<u>\$ 71,803</u>	<u>\$ 36,780</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Assets.....	<u>\$47,143,137</u>	<u>\$45,886,911</u>	<u>\$44,113,987</u>	<u>\$41,792,527</u>	<u>\$41,940,464</u>
CURRENT LIABILITIES:					
Accounts Payable.....	\$ 885,886	\$816,712	\$ 887,379	\$ 1,065,546	\$1,056,520
Accrued Payroll.....	14,179	17,738	21,534	20,197	46,748
Accrued Compensated Absences.....	64,900	68,549	85,440	88,779	92,569
Unearned Revenue.....	536,829	0	0	0	509,346
Revenue Bonds Payable.....	1,985,000	2,090,000	2,195,000	0	0
Interest Payable.....	<u>162,238</u>	<u>112,613</u>	<u>60,363</u>	<u>0</u>	<u>0</u>
Total Current Liabilities.....	<u>\$ 3,649,032</u>	<u>\$ 3,105,612</u>	<u>\$ 3,249,716</u>	<u>\$ 1,174,522</u>	<u>\$1,705,183</u>
LONG-TERM LIABILITIES:					
Revenue Bonds Payable (Net of Discount)...	\$ 4,583,554	\$ 2,347,935	\$ 0	\$ 0	\$ 0
Unamortized Loss on Refunding.....	<u>(356,900)</u>	<u>(182,823)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Long-Term Liabilities.....	<u>\$ 4,226,654</u>	<u>\$ 2,165,112</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities.....	<u>\$ 7,875,686</u>	<u>\$ 5,270,724</u>	<u>\$ 3,249,716</u>	<u>\$ 1,174,522</u>	<u>\$ 1,705,183</u>
NET POSITION:					
Invested In Capital Assets, Net of Related Debt.....	\$28,791,759	\$27,454,235	\$27,908,894	\$29,032,534	\$28,020,278
Restricted.....	9,060,393	9,230,898	9,429,334	0	0
Unrestricted.....	<u>1,415,299</u>	<u>3,931,054</u>	<u>3,526,044</u>	<u>11,585,471</u>	<u>12,215,003</u>
Total Net Assets.....	<u>\$39,267,451</u>	<u>\$40,616,187</u>	<u>\$40,864,272</u>	<u>\$40,618,005</u>	<u>\$40,235,281</u>

Northwest Water Commission Revenues and Expenditures

Audited Year Ended April 30

	2011	2012	2013	2014	2015
OPERATING REVENUES:					
Sale of Water.....	\$ 9,075,414	\$10,006,504	\$ 9,657,915	\$ 9,584,247	\$ 9,033,165
Total Operating Revenues.....	\$ 9,075,414	\$10,006,504	\$ 9,657,915	\$ 9,584,247	\$ 9,033,165
OPERATING EXPENSES:					
Purchase of Water.....	\$ 4,874,891	\$ 4,426,967	\$ 5,191,522	\$ 5,457,277	\$ 5,040,929
Salaries and Related Benefits.....	1,262,341	1,101,579	1,189,625	1,339,214	1,413,975
Insurance.....	165,127	163,690	163,275	189,043	175,339
Utilities.....	667,631	566,096	604,924	594,639	641,726
Professional Fees.....	109,878	93,209	127,255	119,114	119,244
Other.....	249,567	433,316	349,636	385,690	447,210
Total Operating Expenses.....	\$ 7,329,435	\$ 6,784,857	\$ 7,626,237	\$ 8,084,977	\$ 7,838,423
Operating Income Before Depreciation.....	\$ 1,745,979	\$ 3,221,647	\$ 2,031,678	\$ 1,499,270	\$ 1,194,742
Depreciation.....	1,761,967	1,752,865	1,757,343	1,786,039	\$ 1,788,086
Operating Income.....	\$ (15,988)	\$ 1,468,782	\$ 274,335	\$ (286,769)	\$ (593,344)
NONOPERATING REVENUES (EXPENSES):					
Interest Income.....	\$ 68,138	\$ 34,209	\$ 33,111	\$ 21,636	\$ 12,798
Other.....	58,292	134,451	128,032	18,866	197,822
Interest Expense.....	(324,475)	(225,225)	(120,725)	0	0
Amortization.....	(60,292)	(63,481)	(29,888)	0	0
Total Nonoperating Income (Loss).....	\$ (258,337)	\$ (120,046)	\$ 10,530	\$ 40,502	\$ 210,620
Net Income/Change in Net Position.....	\$ (274,325)	\$ 1,348,736	\$ 284,865	\$ (246,267)	\$ (382,724)
Net Position, May 1.....	\$39,541,776	\$39,267,451	\$40,579,407 (1)	\$40,864,272	\$40,618,005
Net Position, April 30.....	\$39,267,451	\$40,616,187	\$40,864,272	\$40,618,005	\$40,235,281

Note: (1) As restated.

NORTHWEST WATER COMMISSION BOND COVERAGE

The Commission failed to meet or exceed 1.0x coverage in previous fiscal years because the available revenues to the Commission were sufficient in each year to pay debt service on its Water Revenue Refunding Bonds, Series 2003. In the judgment of the Commission, the drop in coverage was immaterial due to the availability of revenues and reserves. There was no failure to meet the Commission's debt service obligations in a timely manner. In connection with the Bonds, the Commission has covenanted to meet its coverage requirement going forward.

Projected Bond Coverage(1)

	Fiscal Year Ended April 30										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Revenues:											
Member Billing (2)	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752	\$ 9,751,752
Customer Billing	1,069,221	3,499,549	3,567,434	3,494,404	3,505,184	3,553,497	3,596,073	3,643,661	3,686,956	3,730,754	3,730,754
Transfer from Surplus Account	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Total Revenues	<u>\$10,955,973</u>	<u>\$13,386,301</u>	<u>\$13,454,186</u>	<u>\$13,381,156</u>	<u>\$13,391,936</u>	<u>\$13,440,249</u>	<u>\$13,482,825</u>	<u>\$13,530,413</u>	<u>\$13,573,708</u>	<u>\$13,617,506</u>	
Operating Expenses:											
Member Operating Expenses	\$ 8,670,286	\$ 8,934,963	\$ 9,109,783	\$ 9,323,347	\$ 9,470,178	\$ 9,690,905	\$ 9,880,419	\$10,093,796	\$10,289,312	\$10,488,153	
Customer Supply Expenses	417,469	1,295,198	1,321,102	1,347,524	1,374,474	1,401,964	1,430,003	1,458,603	1,487,375	1,516,575	
Operating Budget Capital Expenses	1,045,000	667,639	800,000	257,000	160,000	160,000	160,000	160,000	160,000	160,000	
Total Operating Expenses	<u>\$10,132,755</u>	<u>\$10,897,800</u>	<u>\$11,230,885</u>	<u>\$10,927,871</u>	<u>\$11,004,652</u>	<u>\$11,252,869</u>	<u>\$11,470,422</u>	<u>\$11,712,399</u>	<u>\$11,936,687</u>	<u>\$12,164,728</u>	
Net Revenues Available For Debt Service	\$ 823,218	\$ 2,488,501	\$ 2,223,301	\$ 2,453,285	\$ 2,387,284	\$ 2,187,380	\$ 2,012,403	\$ 1,818,014	\$ 1,637,021	\$ 1,452,778	
Debt Service Requirements:											
The Bonds	<u>\$ 126,811</u>	<u>\$ 1,234,113</u>	<u>\$ 1,239,113</u>	<u>\$ 1,238,613</u>	<u>\$ 1,237,713</u>	<u>\$ 1,236,413</u>	<u>\$ 1,234,713</u>	<u>\$ 1,234,850</u>	<u>\$ 1,235,950</u>	<u>\$ 1,236,000</u>	
Total Debt Service	<u>\$ 126,811</u>	<u>\$ 1,234,113</u>	<u>\$ 1,239,113</u>	<u>\$ 1,238,613</u>	<u>\$ 1,237,713</u>	<u>\$ 1,236,413</u>	<u>\$ 1,234,713</u>	<u>\$ 1,234,850</u>	<u>\$ 1,235,950</u>	<u>\$ 1,236,000</u>	
Projected Coverage	6.49x	2.02x	1.79x	1.98x	1.93x	1.77x	1.63x	1.47x	1.32x	1.18	

Notes: (1) Source: The Commission
(2) The Commission bills its Members in an amount each year to meet its budgeted annual operating expenses. The Commission has covenanted to charge an amount to ensure that Net Revenues are not less than 110% of annual debt service on the Bonds.

PENSION AND RETIREMENT OBLIGATIONS

The Commission provides pension benefits for all of its full-time employees through a defined contribution plan- ICMA-RC (the Plan), which is administered by ICMA. Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate from the date of employment. Employees vest at the rate of 20% per year. They are fully vested after year five. Provisions may be amended only by the Board of Commissioners. By-laws of the Plan require that employees contribute 2% and the Commission contributes 8% of the employees' wages each pay period. Provisions for contributions may be amended only by the Board of Commissioners. The Board of Commissioners amended the by-laws of the Plan effective January 1, 2005 and adopted a Section 218 Agreement under the Social Security Act. Employees were given the choice of fully participating in Social Security/Medicare and having 7.35% of their wages contributed to the Plan or not participating in Social Security and having 15% of their wages contributed to the Plan. The employee contribution to the Plan is 2.35% for those participating in Social Security and 10% for those not participating in Social Security. All new employees of the Commission must participate in Social Security.

The Commission's total payroll in fiscal 2015 and 2014 was \$1,012,619 and \$959,278 respectively. The Commission's payroll is 100% covered by the defined contribution plan. The Commission's contributions were calculated using the base salary amount for full-time employees. The Commission contributed \$92,389 and \$84,642 to the Plan for 2015 and 2014, respectively. Contributions made by employees amounted to \$44,902 and \$43,250 for 2015 and 2014, respectively. There were no forfeitures reflected in pension expenses for 2014 and 2013 and there was no liability outstanding for unpaid benefits at April 30, 2015. There are no securities of the employer or any other related parties included in plan assets, including any loans.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The Commission shall cause books (the "Bond Register") for the registration and for the transfer of the Bonds to be kept at the principal office maintained for the purpose by the Bond Registrar in Chicago, Illinois. The Commission will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the Commission for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond at the principal office maintained for the purpose by the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the Commission shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

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

The Bond Registrar shall not be required to transfer or exchange any Bond following the close of business on the fifteenth day of the month next preceding any interest payment date on such Bond (known as the record date), nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such 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 Bonds, but the Commission or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a bond surrendered for redemption.

TAX EXEMPTION

Federal Income Tax

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed with them, and certain other matters. The Commission has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Commission's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes, and thus will be exempt from present Federal income taxes based on gross income. Interest on the Bonds is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations, as described in the following paragraph.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax for corporations in addition to the corporate regular tax in certain cases. The alternative minimum tax, if any, depends upon the corporation's alternative minimum taxable income, which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the alternative minimum taxable income of a corporation (excluding S corporations, regulated investment companies, real estate investment trusts, REMICS and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its alternative minimum taxable income (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to any such collateral consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the collateral consequences arising with respect to the Bonds described in this paragraph.

Discount and Premium

The initial public offering prices of the Bonds of certain maturities (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses, brokers and other intermediaries) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). The offering prices for the OID Bonds relating to the yields set forth on the front cover page of this Final Official Statement are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law, OID on the Bonds accrued and properly allocable to their owners under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes), a portion of the OID that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

If a Bond is purchased at any time for a price that is less than the Bond’s stated redemption price at maturity or, in the case of an OID Bond, initial offering price of such OID Bond plus accrued original issue discount, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price less than its initial offering price plus accrued original issue discount. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond for a price in excess of its stated principal amount at maturity. (Such Bond is referred to as a “Premium Bond”). Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a Premium Bond. The amortized bond premium is treated as a reduction in the amount of tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Premium Bond.

Owners of Bonds who dispose of Bonds prior to their stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering but at a price different from their issue price, or purchase Bonds subsequent to the initial public offering should consult their own tax advisors as to the federal, state or local tax consequences of such dispositions or purchases.

State and Local Taxes

Interest on the Bonds is not exempt from present Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel will express no opinion with respect to any such state and local tax consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any state and local tax consequences arising with respect to the Bonds.

Basis of Bond Counsel Opinion

The opinion of Bond Counsel to be delivered concurrently with the delivery of the Bonds and the descriptions of the tax law contained in this Final Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the market value or liquidity or the tax treatment of ownership of the Bonds. Bond Counsel has not undertaken to provide advice with respect to any such future changes.

In rendering its opinion on tax exemption, Bond Counsel will receive and rely upon certifications and representations of facts, calculations, estimates and expectations furnished by the Commission and others which Bond Counsel will not have verified independently.

IRS Audits

The Internal Revenue Service (“IRS”) conducts a program of audits of issues of tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from the gross income of the owners of such obligations for federal income tax purposes. Whether or not the IRS will decide to audit the Bonds cannot be predicted. If the IRS begins an audit of the Bonds, under current IRS procedures, the IRS will treat the Commission as the taxpayer subject to the audit and the holders of the Bonds may not have the right to participate in the audit proceedings. The fact that an audit of the Bonds is pending could adversely affect the liquidity or market price of the Bonds until the audit is concluded even if the result of the audit is favorable.

Legislation

From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to in this section, or adversely affect the market price or liquidity of tax-exempt bonds of the character of the Bonds. In some cases, these proposals have included provisions that had a retroactive effective date. It cannot be predicted whether or in what form any such proposal might be introduced in Congress or enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

Backup Withholding

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in most cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner of Bonds who fails to provide an accurate Form W-9 Payers Request for Taxpayer Identification Number, or a substantially identical form, or to any such owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Commission designated the Bonds as “qualified tax exempt obligations” pursuant to the small issuer exception provided by Section 265(b)(3) of the Code, which affords banks and thrift institutions purchasing the Bonds more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

CONTINUING DISCLOSURE

The Commission will enter into a Continuing Disclosure Undertaking (the “Commission Undertaking”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934. Each of the Members is an “obligated person” under the Rule and will provide annual financial information, as described below, to the information repositories pursuant to separate continuing disclosure undertakings (the “Member Undertakings”, and together with the Commission Undertaking, the “Undertakings”). No person, other than the Commission and the Members, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertakings, including termination, amendment and remedies, are set forth below under “**THE UNDERTAKINGS.**”

A failure by the Commission or any Member to comply with its respective Undertaking will not constitute a default under the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See “**THE UNDERTAKINGS - Consequences of Failure of the Commission to Provide Information.**” The Commission and the Members must report any failure to comply with their respective Undertakings in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

During the last five years, the Commission has not issued obligations of any kind. Accordingly, during that five year period, the Commission has not been required to disclose in a final official statement (as defined in subsection (f) of the Rule) any instance in which the Commission failed to comply, in all material respects, with any previous undertakings under Section (b)(5) of the Rule.

The Commission filed its fiscal year ended 2012 Audited Financial Statements beyond the time period specified in a previous undertaking. The 2012 Audited Financial Statements were filed on April 5, 2013.

In the past five years there have been numerous rating actions reported by Moody's Investors Service, Standard & Poor's Rating Corporation and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the Commission. Due to widespread knowledge of these rating actions, material event notices were not filed by the Commission.

The Village of Buffalo Grove filed its fiscal year ended 2014 Audited Financial Statements beyond the time period specified in a previous undertaking. The 2014 Audited Financial Statements were filed on July 31, 2015, approximately two days beyond the deadline. The Village of Buffalo Grove's draft Audited Financial Statements and annual financial information for its fiscal year ended 2014 were filed on time. The Village of Buffalo Grove's fiscal year ended 2012 Audited Financial Statements were filed beyond the time period specified in a previous undertaking. The Village of Buffalo Grove's 2012 Audited Financial Statements were filed on June 2, 2014. The fiscal year ended 2012 annual financial information was filed on time in accordance with previous undertakings.

Bond Counsel will express no opinion as to (a) past or present compliance by the Commission or the Members with the Rule or (b) whether the Undertakings comply with the requirements of Section (b)(5) of the Rule.

THE UNDERTAKINGS

The following is a brief summary of certain provisions of the Undertakings and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the respective Undertakings, copies of which are available upon request from the Commission.

Annual Financial Information Disclosure

The Commission and its Members each covenant that it will disseminate Annual Financial Information and, as applicable, Audited Financial Statements, if any (as described below), to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information within 210 days after the last day of the Commission's or Member's fiscal year, as applicable. If Audited Financial Statements are not available when the Annual Financial Information is filed, the Commission or its Members will file unaudited financial statements. The Commission and its Members will submit Audited Financial Statements to the MSRB's Electronic Municipal Market Access ("EMMA") system within 30 days after availability. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

"Annual Financial Information" means with respect to the Commission:

1. The table under the heading "**STATE WATER ALLOCATIONS AND USAGE**" within this Final Official Statement;
2. The table under the heading "**ANNUAL DEBT SERVICE REQUIREMENTS**" within this Final Official Statement;
3. All of the tables under the heading "**THE MEMBERS AND MEMBERS' LOCAL SYSTEMS**" within this Final Official Statement; and
4. All of the tables under the heading "**FINANCIAL INFORMATION**" within this Final Official Statement.

“Annual Financial Information” means, with respect to each Member, the Annual Financial Information required to be filed by such Member in connection with its general obligation bonds outstanding as of the date of the issuance of the Bonds; provided, that each Member shall for so long as the Bonds are outstanding, notwithstanding whether any other debt of the Member remains outstanding, either (a) continue to file such Annual Financial Information or (b) file with EMMA on an annual basis its comprehensive annual financial report.

“Audited Financial Statements” means the financial statements of the Commission or a Member, as applicable, as audited annually by independent certified public accountants. Audited Financial Statements are expected to be prepared according to generally accepted accounting principles as applicable to governmental units (i.e., as subject to the pronouncements of the Governmental Accounting Standards Board and subject to any express requirements of State law).

Reportable Events Disclosure

The Commission and the Members each covenant that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. The “Reportable Events” are:

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Commission or Member*
13. The consummation of a merger, consolidation, or acquisition involving the Commission or Member or the sale of all or substantially all of the assets of the Commission or Member, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

**This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Commission in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commission, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commission.*

Consequences of Failure of the Commission or any Member to Provide Information

The Commission and the Members must give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the applicable Undertaking.

In the event of a failure of the Commission or any Member to comply with any provision of the applicable Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Commission or Member to comply with its obligations under the applicable Undertaking. A default under an Undertaking shall not be deemed a default under the Bond Ordinance, and the sole remedy under the Undertakings in the event of any failure of the Commission or any Member to comply with the applicable Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the respective Undertakings, the Commission or any Member by resolution or ordinance authorizing such amendment or waiver, may amend its Undertaking, and any provision of such Undertaking may be waived, if:

- (a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a “no-action” letter issued by the SEC, a change in law, or a change in the identity, nature, or status of the Commission, or type of business conducted; or
- (ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the Commission or the Members (such as Bond Counsel).

In the event that the SEC or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the Commission and the Members shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the applicable Undertaking.

Termination of Undertakings

The Undertakings shall be terminated if the Commission shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance. The Commission shall give notice to the MSRB in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertakings shall be deemed to prevent the Commission or the Members from disseminating any other information, using the means of dissemination set forth in the Undertakings or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the respective Undertakings. If the Commission or any Member chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by the applicable Undertaking, the Commission or Member shall have no obligation under its Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Dissemination of Information; Dissemination Agent

When filings are required to be made with the MSRB in accordance with the Undertakings, such filings are required to be made through its EMMA system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The Commission or the Members may, from time to time, appoint or engage a Dissemination Agent to assist them in carrying out their respective obligations under the Undertakings, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

OPTIONAL REDEMPTION

Bonds due April 1, 2017-2020, inclusive, are not subject to optional redemption. Bonds due April 1, 2021-2025, inclusive, are callable in whole or in part on any date on or after April 1, 2020, at a price of 101% of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Commission and within any maturity by lot.

The Bond Registrar will give notice of redemption, identifying the Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed are received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Commission, state that said redemption will be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the Commission will not redeem such Bonds, and the Bond Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the Commission will deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on the date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the Bond Ordinance, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Commission shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds will be paid by the Bond Registrar at the redemption price.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Commission taken with respect to the issuance or sale thereof. There is no litigation now pending, or to the knowledge of the Commission, threatened against the Commission that is expected to materially impact the financial condition of the Commission.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Schiff Hardin LLP, Chicago, Illinois, as Bond Counsel (the "Bond Counsel"), which has been retained by, and acts as, Bond Counsel to the Commission. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Final Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Final Official Statement, except that in its capacity as Bond Counsel, Schiff Hardin LLP has, at the request of the Commission, reviewed only those portions of this Final Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), the description of the federal tax exemption of the interest on the Bonds and the "bank-qualified" status of the Bonds, if any. This review was undertaken solely at the request and for the benefit of the Commission and did not include any obligation to establish or confirm factual matters set forth herein. Bond Counsel is not obligated under the Commission's disclosure undertaking.

Certain legal matters will be passed upon for the Commission by its General Counsel, Schain Banks Kenney & Schwartz Ltd.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion on the legal issues explicitly addressed in the opinion. By rendering a legal opinion, the opinion giver does not undertake to be an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

FINAL OFFICIAL STATEMENT AUTHORIZATION

This Final Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the Commission, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATING

The Bonds have been rated "Aa2" by Moody's Investors Service. The Commission has supplied certain information and material concerning the Bonds and the Commission to the rating service shown on the cover page, including certain information and materials which may not have been included in this Final Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone 212-553-1658. The Commission will provide appropriate periodic credit information to the rating service to maintain a rating on the Bonds.

UNDERWRITING

The Bonds were offered for sale by the Commission at a public, competitive sale on September 2, 2015. The best bid submitted at the sale was submitted by Hutchinson, Shockey, Erley & Co., Chicago, Illinois (the “Underwriter”). At its meeting on September 3, 2015, the Commission awarded the contract for sale of the Bonds to the Underwriter at a price of \$9,888,485.75. The Underwriter has represented to the Commission that the Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in this Final Official Statement.

MUNICIPAL ADVISOR

The Commission has engaged Speer Financial, Inc. as municipal advisor (the “Municipal Advisor”) in connection with the issuance and sale of the Bonds. The Municipal Advisor is a Registered Municipal Advisor in accordance with the rules of the MSRB. The Municipal Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Municipal Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Municipal Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Final Official Statement, nor is the Municipal Advisor obligated by the Commission’s continuing disclosure undertaking.

CERTIFICATION

We have examined this Final Official Statement dated September 3, 2015, for the \$9,820,000 Water Revenue Bonds, Series 2015, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **BILL GANEK**
Interim Executive Director
NORTHWEST WATER COMMISSION
Cook and Lake Counties, Illinois

/s/ **WILLIAM H. BRIMM**
Chairman
NORTHWEST WATER COMMISSION
Cook and Lake Counties, Illinois

APPENDIX A

**NORTHWEST WATER COMMISSION
COOK AND LAKE COUNTIES, ILLINOIS**

EXCERPTS OF FISCAL YEAR 2015 AUDITED FINANCIAL STATEMENTS

**NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS**

STATEMENTS OF NET POSITION

April 30, 2015 and 2014

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,908,150	\$ 12,750,776
Accounts receivable	12,036	9,217
Total current assets	13,920,186	12,759,993
NONCURRENT ASSETS		
Capital assets		
Not being depreciated	8,821,381	8,134,804
Being depreciated	78,078,905	77,989,652
Less accumulated depreciation	(58,880,008)	(57,091,922)
Net capital assets	28,020,278	29,032,534
Total noncurrent assets	28,020,278	29,032,534
DEFERRED OUTFLOWS		
None	-	-
Total deferred outflows	-	-
Total assets and deferred outflows	41,940,464	41,792,527

**NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS**

STATEMENTS OF NET POSITION (Continued)

April 30, 2015 and 2014

	2015	2014
CURRENT LIABILITIES		
Accounts payable	\$ 1,056,520	\$ 1,065,546
Accrued payroll	46,748	20,197
Accrued compensated absences	92,569	88,779
Unearned revenue	509,346	-
Total current liabilities	1,705,183	1,174,522
LONG-TERM LIABILITIES		
None	-	-
Total long-term liabilities	-	-
DEFERRED INFLOWS OF RESOURCES		
None	-	-
Total deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	1,705,183	1,174,522
NET POSITION		
Net investment in capital assets	28,020,278	29,032,534
Unrestricted	12,215,003	11,585,471
TOTAL NET POSITION	\$ 40,235,281	\$ 40,618,005

**NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS**

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

For the Years Ended April 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Sale of water	\$ 9,033,165	\$ 9,584,247
Total operating revenues	9,033,165	9,584,247
OPERATING EXPENSES		
Purchase of water	5,040,929	5,457,277
Salaries and related benefits	1,413,975	1,339,214
Insurance	175,339	189,043
Utilities	641,726	594,639
Professional fees	119,244	119,114
Other	447,210	385,690
Total operating expenses	7,838,423	8,084,977
OPERATING INCOME BEFORE DEPRECIATION	1,194,742	1,499,270
Depreciation	1,788,086	1,786,039
OPERATING INCOME (LOSS)	(593,344)	(286,769)
NON-OPERATING REVENUES		
Investment income	12,798	21,636
Other	197,822	18,866
Total non-operating revenues	210,620	40,502
CHANGE IN NET POSITION	(382,724)	(246,267)
NET POSITION, MAY 1	40,618,005	40,864,272
NET POSITION, APRIL 30	\$ 40,235,281	\$ 40,618,005

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**NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS**

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 9,737,514	\$ 9,616,880
Payments to suppliers	(6,433,474)	(6,567,595)
Payments to employees	(1,383,634)	(1,337,212)
Net cash from operating activities	1,920,406	1,712,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
None	-	-
Net cash from noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(775,830)	(714,678)
Principal paid on revenue bonds	-	(2,195,000)
Interest paid on revenue bonds	-	(60,363)
Net cash from capital and related financing activities	(775,830)	(2,970,041)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12,798	21,636
Net cash from investing activities	12,798	21,636
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,157,374	(1,236,332)
CASH AND CASH EQUIVALENTS, MAY 1	12,750,776	13,987,108
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 13,908,150	\$ 12,750,776
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents - unrestricted	\$ 13,908,150	\$ 12,750,776
Cash and cash equivalents - restricted	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 13,908,150	\$ 12,750,776

**NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS**

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended April 30, 2015 and 2014

	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (593,344)	\$ (286,769)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation	1,788,086	1,786,039
Other non-operating revenues	197,822	18,866
Changes in assets and liabilities		
Accounts receivable	(2,819)	13,767
Accounts payable	(9,026)	178,168
Accrued payroll	26,551	(1,337)
Accrued compensated absences	3,790	3,339
Unearned revenue	509,346	-
NET CASH FROM OPERATING ACTIVITIES	\$ 1,920,406	\$ 1,712,073

**NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS**
NOTES TO FINANCIAL STATEMENTS (Continued)

**NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS**
NOTES TO FINANCIAL STATEMENTS

April 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Fund Accounting
- Enterprise Fund
- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the Commission is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Commission has decided that periodic determination of revenues earned, expenses incurred, and net income or loss is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and production and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- d. Capital Assets - Property, Plant, and Equipment
- Property, plant, and equipment are recorded at cost. If actual cost cannot be determined, estimated historical cost is used; donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation of property, plant, and equipment has been provided for over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

	Years
Buildings	40
Distribution system	40
Equipment	3-15
Reservoir	40

Maintenance and repairs are charged to expense in the year incurred. Expenses that extend the useful life or increase productivity of property, plant, and equipment are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northwest Water Commission (the Commission) was created under Illinois Compiled Statutes, 65 ILCS 5/11-135-1 to acquire and operate a common source of supply of water and to develop facilities of sufficient capacity to furnish an adequate supply of water to government customers, using Lake Michigan as a source of supply. The Commission has entered into a long-term contract for the purchase of water from the City of Evanston, Illinois. The Commission began full water services in June 1986.

The Commission's members consist of the Villages of Arlington Heights, Buffalo Grove, Palatine, and Wheeling. The member municipalities have contracted to provide all funds necessary for construction of the facilities and to purchase water from the Commission for a period of 40 years from the date water was first delivered.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

- a. Reporting Entity
- The Commission is considered to be a primary government pursuant to GASB Statement No. 14 as amended by GASB Statement No. 61 since it is legally separate and fiscally independent. These financial statements include all functions, programs, and activities under the control of the Board of the Commission.
- b. Basis of Accounting
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.
- The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e. Cash and Cash Equivalents
For purposes of the statement of cash flows, the Commission's proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.
- f. Investments
Investments and negotiable certificates of deposits with a maturity date greater than one year from the date of purchase are recorded at fair value. Investments with a maturity date of less than one year from the date of purchase are recorded at amortized cost.
- g. Prepaid Expenses
Payments made to vendors for services that will benefit periods beyond the date of this report, if any, are recorded as prepaid expenses.
- h. Restricted Assets
Proceeds of revenue bonds as well as certain resources set aside for their repayment, if any, are reported as restricted assets on the statement of net position because their use is limited by applicable bond covenants.
- i. Deferred outflows/inflows of resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future period(s). In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future period(s) and so it will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period these amounts become available.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- j. Bond Discounts, Bond Issuance Costs, and Bond Premiums
Bond discounts and bond premiums, if any, are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable; bond premiums are presented as an addition to the face amount of bonds payable. Bond issuance costs are expensed in the period incurred, in accordance with GASB Statement No. 65.
- k. Unamortized Gains and Losses on Refundings
The Commission amortizes gains and losses on bond refundings, if any, over the shorter of the term of the refunding bonds or the term of the refunded bonds. Unamortized gains are presented as deferred inflows of resources and unamortized losses are presented as deferred outflows of resources.
- l. Compensated Absences
Employees earn vacation based on their anniversary date with the Commission. Earned vacation may be accumulated and is payable to the employee upon termination of employment and, therefore, is accrued through April 30. Accumulated sick leave is not reimbursable upon termination of employment and, therefore, is not accrued.
- m. Unearned Revenue
Payments from member communities due in subsequent years and received in the current year are reported as unearned revenue.
- n. Net Position
Restricted net position, if any, represents amounts required to be segregated by bond covenant provisions. None of the net position is restricted as a result of enabling legislation adopted by the Commission. Net investment in capital assets represents the book value of capital assets less long-term debt principal outstanding issued to construct those capital assets. Effective May 1, 2013, the Commission adopted a net position/cash reserves policy (through resolution) that establishes guidelines setting forth the amounts that will be provided for the following categories: Debt service reserve; depreciation, improvement and expansion reserve; operating reserve and unrestricted reserve.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Net Position (Continued)

The amount held within the Debt Service Reserve shall be equal to one times the highest annual debt service to be paid, for both principal and interest, in any given fiscal year. The maximum amount in the Depreciation, Improvement and Expansion Reserve shall be equal to \$1,000,000. The intent of the use of this Reserve is to provide a source of nonbudgeted funds should there be a failure of any Commission operating asset(s) as well as when an unanticipated expansion of those assets are required to maintain the integrity of the Commission system. The annual Operating Reserve shall be equal to 40% of the annual operating budget of the Commission, less the cost of water purchased from the City of Evanston. All balances not required to be maintained within the Debt Service Reserve; Depreciation, Improvement and Expansion Reserve; and/or Operating Reserve shall be maintained within the Unrestricted Reserve. If restricted or unrestricted funds are available for spending, the restricted funds are spent first.

o. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The Commission's investment policy authorizes the Commission to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value), and the Illinois Metropolitan Investment Fund (IMET), a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold. The Commission's investment policy does limit its deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

2. DEPOSITS AND INVESTMENTS (Continued)

It is the policy of the Commission to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Commission and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety, liquidity, and rate of return.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. The Commission's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured.

b. Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Commission limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Commission limits its exposure to credit risk by primarily investing in money market mutual funds and external investment pools, which are rated AA or better by a national rating agency.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Commission will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Commission's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by an independent third party custodian and evidenced by safekeeping receipts.

Concentration of credit risk is the risk that the Commission has a high percentage of its investments invested in one type of investment. The Commission's investment policy requires diversification of investments to avoid unreasonable risk, but does not set specific limits.

NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

As of April 30, 2015 and 2014, the Commission had the following investments and maturities in debt securities.

	2015				2014					
	Fair Value	Less than 1	Investment Maturities (in Years) 1-5	6-10	More than 10	Fair Value	Less than 1	Investment Maturities (in Years) 1-5	6-10	More than 10
IMET	\$ 264,914	\$ -	\$ 264,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 264,914	\$ -	\$ 264,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

3. CAPITAL ASSETS

	2015				2014			
	Balances May 1	Additions	Retirements	Balances April 30	Balances May 1	Additions	Retirements	Balances April 30
Capital assets not being depreciated	\$ 7,622,846	\$ -	\$ -	\$ 7,622,846	\$ 511,958	735,392	48,815	1,198,535
Land and land rights	8,134,804	-	-	8,821,381	3,317,724	64,737	-	3,382,461
Construction in progress	59,466,115	-	-	59,466,115	8,051,093	24,516	-	8,075,609
Total capital assets not being depreciated	13,753,565	-	-	14,153,611	13,753,565	89,253	-	14,153,611
Capital assets being depreciated	1,745,634	82,943	-	1,828,577	40,867,393	1,486,653	-	42,354,046
Buildings	40,867,393	1,486,653	-	42,354,046	7,863,420	37,575	-	7,900,995
Distribution system	7,863,420	37,575	-	7,900,995	4,829,436	178,868	-	5,008,304
Equipment	4,829,436	178,868	-	5,008,304	55,305,883	1,786,039	-	57,091,922
Reservoir	55,305,883	1,786,039	-	57,091,922	77,443,839	545,813	-	77,989,652
Total capital assets being depreciated	64,745,673	2,350,440	-	67,096,113	22,137,956	(1,240,226)	-	20,897,730
Total capital assets	\$ 20,499,238	\$ 2,350,440	\$ -	\$ 21,849,724	\$ 30,103,895	\$ (1,071,361)	\$ -	\$ 29,032,534

NORTHWEST WATER COMMISSION
DES PLAINES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	2015				2014			
	Balances May 1	Additions	Retirements	Balances April 30	Balances May 1	Additions	Retirements	Balances April 30
Less accumulated depreciation for	\$ 1,828,577	\$ 89,417	\$ -	\$ 1,917,994	\$ 29,032,534	\$ (963,441)	\$ 48,815	\$ 28,020,278
Buildings	42,354,046	1,486,653	-	43,840,699	20,897,730	(1,698,833)	-	19,198,897
Distribution system	7,900,995	33,149	-	7,934,144	\$ 29,032,534	\$ (963,441)	\$ 48,815	\$ 28,020,278
Equipment	5,008,304	178,867	-	5,187,171				
Reservoir	57,091,922	1,788,086	-	58,880,008				
Total accumulated depreciation	20,897,730	(1,698,833)	-	19,198,897				
Total capital assets being depreciated, net	\$ 42,354,046	\$ 1,486,653	\$ -	\$ 43,840,699				

4. EMPLOYEE BENEFIT PLANS

The Commission provides pension benefits for all of its full-time employees through a defined contribution plan - ICMA-RC (the Plan), which is administered by ICMA. Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate from the date of employment. Employees vest at the rate of 20% per year. They are fully vested after year five. Provisions may be amended only by the Board of Commissioners. By-laws of the Plan require that employees contribute 2% and the Commission contributes 8% of the employees' wages each pay period. Provisions for contributions may be amended only by the Board of Commissioners. The Board of Commissioners amended the by-laws of the Plan effective January 1, 2005 and adopted a Section 218 Agreement under the Social Security Act. Employees were given the choice of fully participating in Social Security/Medicare and having 7.35% of their wages contributed to the Plan or not participating in Social Security and having 15% of their wages contributed to the Plan. The employee contribution to the Plan is 2.35% for those participating in Social Security and 10% for those not participating in Social Security. All new employees of the Commission must participate in Social Security.

The Commission's total payroll in fiscal 2015 and 2014 was \$1,012,619 and \$959,278 respectively. The Commission's payroll is 100% covered by the defined contribution plan. The Commission's contributions were calculated using the base salary amount for full-time employees. The Commission contributed \$92,389 and \$84,642 to the Plan for 2015 and 2014, respectively. Contributions made by employees amounted to \$44,902 and \$43,250 for 2015 and 2014, respectively. There were no forfeitures reflected in pension expense for 2014 and 2013 and there was no liability outstanding for unpaid benefits at April 30, 2015. There are no securities of the employer or any other related parties included in plan assets, including any loans.

5. OTHER POSTEMPLOYMENT BENEFITS

The Commission has evaluated its potential other postemployment benefits liability. The Commission provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the Commission are required to pay 100% of the current premium. However, no former employees have chosen to stay in the Commission's health insurance plan. Therefore, there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Commission had no former employees for which the Commission was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Commission has not recorded any postemployment benefit liability as of April 30, 2015.

6. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; illnesses of employees; and injuries to the Commission's employees.

The Commission purchases insurance from private companies and participates in municipal risk management pooling. Risks covered include workers' compensation, earthquake, fire, flood, general liability, employee health, and other risks associated with operating a regional public sector water utility. There were no significant reductions in insurance coverage and settlements did not exceed insurance coverage during the past three fiscal years.

Municipal Insurance Cooperative Agency (MICA)

The Commission began participation with the Municipal Insurance Cooperative Agency (MICA) on January 1, 2010. MICA is a public entity risk pool whose members are Illinois municipalities. MICA manages and funds first party property losses, third party liability claims, workers' compensation claims, and public officials' liability claims of its members. MICA provides \$2,000,000 of coverage after a \$1,000 deductible. The Commission's payments to MICA are displayed on the financial statements as expenses. The Commission is fully covered for all losses under the MICA pool.

Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are two officers, a Risk Manager and a Treasurer. The Commission does not exercise any control over activities of MICA beyond its representation on the Board of Directors. MICA functions solely as an administrative agent for each member.

7. COMMITMENTS AND CONTINGENCIES

Commitments

In 1981, the Commission entered into a water supply contract for the purchase of water from the City of Evanston, Illinois (the City). The Water Supply Contract (the Contract) initially was to be in force for a period of 40 years from the date of first delivery to the Commission, that is, until 2025. It was subsequently extended to 2030. The Contract is automatically renewable at ten-year intervals thereafter, unless either party elects to terminate the contract by notice given not less than five years prior to the end of any ten-year renewal period. Payments to the City initially were based on the City's water plant operating cost per 1,000 gallons, plus an annual return based on the fair value rate base, plus a depreciation charge.

7. COMMITMENTS AND CONTINGENCIES (Continued)

Commitments (Continued)

The Contract allowed for a one time reopener for the discussion of water rates if either party gave notice on or before March 31, 2006. The City exercised this right on March 31, 2006. Negotiations commenced and over the course of the next two years, an amendment to the Contract was finalized. This amendment resulted in a change in the methodology for establishing the rates paid by the Commission. Subsequent to October 1, 2006, rates paid by the Commission will be based on a combination of factors including quantity, depreciation, and return on rate charges.

The renegotiated contract also allows the Commission the right, until September 30, 2013, to extend or lengthen the contract by five years. This right was exercised by the Commission in August 2013. The end date of the contract after the extension is February 25, 2035.

On December 2, 1982, the Commission entered into a 50-year nonexclusive easement agreement with the Metropolitan Water Reclamation District of Greater Chicago. The annual easement fee is \$27,222.

Contingent Liabilities

The Commission has certain other contingent liabilities resulting from litigation, claims, and commitments incident to the ordinary course of business. It is expected that final resolution of such contingencies will not materially affect the financial position or changes in financial position of the Commission.

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APPENDIX B

DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Commission or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

APPENDIX C

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

[Closing Date]

Northwest Water Commission
1525 North Wolf Road
Des Plaines, Illinois 60016

Hutchinson, Shockey, Erley & Co.
222 West Adams Street, Suite 1700
Chicago, Illinois 60606

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and delivery by the Northwest Water Commission, Cook and Lake Counties, Illinois (the “**Commission**”) of its \$9,820,000 Water Revenue Bonds, Series 2015 (the “**Bonds**”).

In that regard, we have examined a certified copy of the record of proceedings of the Commission, together with various accompanying certificates, pertaining to the issuance of the Bonds. The record of proceedings includes an ordinance, adopted by the Commission on September 3, 2015, providing for the issuance of the Bonds (the “**Bond Ordinance**”), certificates of, among others, officers of the Commission, officers of the Village of Arlington Heights, Illinois, the Village of Buffalo Grove, Illinois, the Village of Palatine, Illinois, the Village of Wheeling, Illinois, the City of Des Plaines, Illinois, and the City of Evanston, Illinois, and the purchasers of the Bonds as to various factual matters.

The Bonds are initially dated the date of this opinion, and mature on the dates and in the amounts and bear interest at the rates per year as follows:

<u>Maturing (April 1)</u>	<u>Amount Maturing (\$)</u>	<u>Interest Rate (%)</u>
2017	1,000,000	2.00
2018	1,025,000	2.00
2019	1,045,000	2.00
2020	1,065,000	2.00
2021	1,085,000	2.00
2022	1,105,000	2.25
2023	1,130,000	3.00
2024	1,165,000	3.00
2025	1,200,000	3.00

Interest on the Bonds is payable on April 1st and October 1st in each year, with the first interest payment date being April 1, 2016.

The Bonds maturing on and prior to April 1, 2020 are not subject to optional redemption in advance of their maturity. The Bonds maturing on and after April 1, 2021 are subject to optional redemption in advance of their maturity, in whole or in part, on any day on and after April 1, 2020 at a redemption price equal to 101% of their principal amount plus accrued interest to the date of redemption.

Based upon this examination, we are of the opinion that:

1. The Bond Ordinance has been duly and lawfully adopted by the Commission, is in full force and effect, and is valid and binding upon the Commission.

2. The Bonds are valid and legally binding special obligations of the Commission in accordance with their terms, payable from moneys derived from the revenues of the existing water supply system of the Commission (the “**System**”) remaining after provision has been made for payment of Operation and Maintenance Costs (as defined in the Bond Ordinance) of the System (the “**Net Revenues**”). The revenues of the System are derived principally from payments made and to be made by the Village of Arlington Heights, Illinois, the Village of Buffalo Grove, Illinois, the Village of Palatine, Illinois, and the Village of Wheeling, Illinois (collectively, the “**Member Municipalities**”) under a water supply contract (the “**Water Supply Contract**”) among the Commission and the Member Municipalities. Under the Water Supply Contract, such payments are required to be made from the revenues of the respective combined municipal waterworks and sewerage systems of the Member Municipalities.

3. The Water Supply Contract is a valid and binding obligation of the Commission and of the Member Municipalities in accordance with its terms, provided that we express no opinion (a) with respect to the provisions of the Water Supply Contract relating to arbitration of disputes, or (b) as to whether amounts to be paid by Member Municipalities under the Water Supply Contract during a substantial interruption of or after a permanent halt to operations of the System would constitute proper expenses of operation and maintenance of the respective combined municipal waterworks and sewerage systems of the Member Municipalities.

4. The Net Revenues may be pledged, on a parity with the pledge of Net Revenues to pay the Bonds, to pay principal of and interest on Parity Bonds (as defined in the Bond Ordinance) upon compliance with the conditions provided in the Bond Ordinance for the issuance of Parity Bonds. In the Bond Ordinance, the Commission reserved the right to issue obligations to which the Net Revenues are pledged having a claim for payment from the Net Revenues junior and subordinate to the pledge of the Net Revenues to the Bonds and any Parity Bonds.

5. Interest on the Bonds under present law is not included in “gross income” for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the Commission with its covenant in the Bond Ordinance to comply with all requirements which must be met in order for interest on the Bonds not to be included in gross income for federal income tax purposes under present law. The Commission has the power to comply with its covenant. If the Commission were to fail to comply with these requirements, interest on the Bonds could be included in gross income for federal income tax purposes retroactive to the date the Bonds are issued. Interest on the Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law. Interest on the Bonds will be taken into account in computing (A) an adjustment used in determining the federal alternative minimum tax for certain corporations and (B) the “branch profits tax” imposed on certain foreign corporations. Ownership of the Bonds may result in other federal tax consequences or state or local tax consequences to certain taxpayers and, except as provided in paragraphs 6 and 7 below, we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

6. Interest on the Bonds is not exempt from present Illinois income taxes.

7. The Commission has properly designated each of the Bonds as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The rights of owners of the Bonds, the obligations of the Commission and the Member Municipalities and enforceability of the Bonds, the Bond Ordinance and the Water Supply Contract may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights. Enforcement of provisions of the Bonds, the Bond Ordinance or the Water Supply Contract by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result if the validity or tax-exempt status of the Bonds are challenged. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date. In addition, we have not undertaken any obligation to assist the Commission in complying with those requirements described in paragraph 5 above which the Commission must meet after the date of this opinion in order for interest on the Bonds not to be included in gross income for federal income tax purposes under present law.

Respectfully submitted,

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

This summary of certain provisions of the Bond Ordinance is qualified by reference to the complete ordinance, a copy of which is on file with the Commission. See the body of the Official Statement for a description of the Bonds and the definition of several terms as used in this summary. The provisions summarized below apply to the Bonds and any Parity Bonds issued in the future.

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions

For all purposes of the Ordinance, except as otherwise expressly provided or unless the context or usage requires otherwise, the following terms have the following meanings:

“**Accounting**” means the crediting of all moneys on deposit in the Water Fund to the various Accounts in the Water Fund as required in Article Three of the Ordinance.

“**Accounts**” means the accounts in the Water Fund established in Section 3.02.

“**Additional Accounting**” means the application of moneys held in the Water Fund on dates other than the second Business Day of each Quarter at the election of the Commission as provided in Section 3.03.

“**Act**” means, with respect to a Bondholder, an Act as defined in Section 1.03 of the Ordinance.

“**Arbitrage Regulations**” means Sections 1.148-0 through 1.148-11 of the federal income tax regulations (26 CFR Part 1) relating to “arbitrage bonds” applicable under Section 148 of the Code, as amended. The term “Arbitrage Regulations” also includes other Regulations (if any), Revenue Rulings, Revenue Procedures, Notices, and other official guidance promulgated by the Internal Revenue Service relating to Section 148 of the Code.

“**Bond Register**” means the bond register kept by the Bond Registrar for one or more series of Bonds, as applicable, pursuant to Section 2.10 of the Ordinance.

“**Bond Registrar**” means any Person authorized by the Commission pursuant to the Ordinance to keep the Bond Register with respect to any series of Bonds. Reference to a Bond Registrar for a series of Bonds shall be deemed to include reference to such bond registrar its capacity as Paying Agent for such series.

“**Bondholder**” or “**Holder**” means, when used with respect to any Bond, the Person in whose name such Bond is registered in the Bond Register.

“**Bonds**” means the Series 2015 Bonds and all Parity Bonds authorized to be issued under the Ordinance, but excluding, specifically, Subordinate Bonds.

“**Business Day**” means any day other than (a) a Saturday, a Sunday, or a day on which banking institutions located in the city in which the designated corporate trust office of the Bond Registrar is located are required or authorized by law or executive order to remain closed, or (b) a day on which the New York Stock Exchange is closed.

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

“**Commission**” means the Northwest Water Commission, Cook and Lake Counties, Illinois, a public corporation and unit of local government of the State of Illinois.

“**Commissioners**” means the commissioners who constitute the governing body of the Commission.

“**Commission Resolution**” and “**Commission Ordinance**” mean, respectively, a resolution or ordinance duly adopted by the Commissioners and effective as provided by law.

“**Contract Customer**” means a municipal corporation or political subdivision of the State of Illinois, other than the Commission, the Members, and the City of Evanston, Illinois, that has entered into a Customer Contract.

“**Current Debt Service Requirement**” means, for any Fiscal Year, the sum of the amounts of the Principal Requirement, Mandatory Redemption Requirement, and Interest Requirement during such Fiscal Year.

“**Customer Contract**” means any contract for the purchase and sale of water between the Commission and a Contract Customer, other than the Member Contract and the Evanston Contract.

“**Dated Date**” means the initial date interest begins to accrue on a series of Bonds as provided in the Ordinance.

“**Debt Reform Act**” means the Local Governmental Debt Reform Act of the State of Illinois, as amended, 30 ILCS 350/1 *et seq.*

“**Debt Service Reserve Account**” means the account of that name in the Water Fund established by Section 3.02 of the Ordinance and governed by Section 3.07 of the Ordinance.

“**Debt Service Reserve Account Requirement**” means the maximum amount required to be on deposit from time to time to the credit of the Debt Service Reserve Account as established from time to time by the Ordinance.

“**Debt Service Reserve Account Quarterly Requirement**” means the amount from time to time required to be credited Quarterly to the Debt Service Reserve Account as established by the Ordinance.

“**Defaulted Interest**” means interest on any Bond of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

“**Depreciation, Improvement and Extension Account**” means the account of that name in the Water Fund established by Section 3.02 of the Ordinance and governed by Section 3.08 of the Ordinance.

“**Depreciation, Improvement and Extension Account Maximum Requirement**” means the maximum amount required to be on deposit from time to time to the credit of the Depreciation, Improvement and Extension Account as established in the Ordinance.

“**Depreciation, Improvement and Extension Account Quarterly Requirement**” means the amount from time to time required to be credited Quarterly to the Depreciation, Improvement and Extension Account as established in the Ordinance

“Des Plaines Customer Contract” means the Northwest Water Commission Supplemental Water Purchase and Sale Contract, dated as of September 26, 2014, between the Commission and the City of Des Plaines, Illinois, as amended and supplemented from time to time.

“Division 135” means Division 135 of Article 11 of the Municipal Code, as amended.

“Evanston Contract” means the contract, dated March 4, 1981, by and between the Commission and the City of Evanston, Illinois, as amended or supplemented from time to time, providing for a supply of water to the Commission.

“Event of Default” has the meaning stated in Article Six. An Event of Default “exists” if an Event of Default has occurred and is continuing.

“Fiscal Year” means that twelve calendar month period beginning May 1 of any calendar year and ending on April 30 of the following calendar year.

“Independent” when used with respect to a Person means a Person who is in fact independent and is not connected with the Commission as an officer, employee, underwriter, trustee, or person performing similar functions but who may be regularly retained by the Commission to make reports or provide other professional services.

“Interest Account” means the account of that name in the Water Fund established by Section 3.02 of the Ordinance and governed by Section 3.05 of the Ordinance.

“Interest Payment Date” means a Stated Maturity of interest on the Bonds as provided in Section 2.08.

“Interest Requirement” means, for any Fiscal Year, the aggregate amount of interest having a Stated Maturity within that Fiscal Year.

“Investment Earnings” means all interest when received on or profit when realized, in cash, from investments made from moneys on deposit under the Ordinance or derived from the Revenues.

“Mandatory Redemption” means redemption required by operation of the Principal Account pursuant to Section 3.06.

“Mandatory Redemption Requirement” means, for any Fiscal Year, the aggregate principal amount of Bonds subject to Mandatory Redemption on April 1 of that Fiscal Year.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as provided in such Bond or in the Ordinance.

“Maximum Annual Debt Service” means an amount of money equal to the highest Current Debt Service Requirement of all Outstanding Bonds in any Fiscal Year, including and subsequent to the Fiscal Year in which the computation is made.

“Members” means the members of the Commission, namely, the Village of Arlington Heights, Illinois, the Village of Buffalo Grove, Illinois, the Village of Palatine, Illinois, and the Village of Wheeling, Illinois, and such other municipalities as may be members of the Commission from time to time.

“Member Contract” means the First Amended Water Supply Contract, dated April 4, 1983, among the Commission and the Members, individually, providing for a supply of water from the Commission to the Members, as amended or supplemented from time to time, including without limitation by (a) the

Amendment to the First Amended Water Supply Contract, dated as of September 5, 1990, among the Commission and the Members, individually, and (b) the Second Amendment to the First Amended Water Supply Contract, dated as of September 20, 1993, among the Commission and the Members, individually.

“**Municipal Code**” means the Illinois Municipal Code, as amended and supplemented, 65 ILCS 5/1-1-1 *et seq.*

“**Net Revenues**” means for any period Revenues of the System less Operation and Maintenance Costs of the System and amounts of Revenues used to provide or maintain the Operation and Maintenance Reserve Amount.

“**Officer’s Certificate**” and any other Commission certificate means a certificate signed by one or more of the Chairman, the Clerk or the Treasurer of the Commission. Wherever the Ordinance requires that such be signed also by an engineer or other expert, such engineer or other expert may (except as otherwise expressly provided in the Ordinance) be employed by the Commission.

“**Operation and Maintenance Account**” means the account of that name in the Water Fund established by Section 3.02 of the Ordinance and governed by Section 3.04 of the Ordinance.

“**Operation and Maintenance Costs**” means all costs of operating and maintaining and routine repairs to the System, including without limitation wages, salaries, employees’ health, hospitalization, pension and retirement expenses, fees for services, costs of materials and supplies, power, fuel, insurance, purchase or treatment of water, all payments under the Evanston Contract, paying agent, bond registrar and trustee fees, legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting and technical services, contract services for operation of the System or advice related thereto, expenses of billing and making collections, studies for rate determinations and provision for loss in collection.

The term “Operation and Maintenance Costs” does not include depreciation or obsolescence charges or reserves for such charges, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the Commission, or charges made therefor, or losses from the sale, abandonment, reclassification, revaluation, or other disposition of any properties.

“**Operation and Maintenance Reserve Amount**” means an amount, determined by reference to the then current budget of the Commission, equal to two-thirds of Operation and Maintenance Costs of the Quarter of the then current Fiscal Year in which Operations and Maintenance Costs are the greatest.

“**Opinion of Counsel**” means a written opinion of counsel who may (except as otherwise expressly provided in the Ordinance) be counsel for the Commission.

“**Ordinance**” or “**the Ordinance**” means Ordinance Number 2015-__ as originally adopted on September 2, 2015, any Parity Series Ordinances and any supplemental or amendatory ordinances upon becoming effective as provided by law. References to the “**Bond Ordinance**” refer to Ordinance Number 2015-__ as originally adopted.

“**Outstanding**” when used with respect to Bonds means, as of the date of determination, all Bonds previously authenticated and delivered under the Ordinance, except Bonds as follows:

(a) Bonds theretofore paid and cancelled by the applicable Bond Registrar or delivered to the applicable Bond Registrar for cancellation;

(b) Bonds (i) which have matured and for which moneys are on deposit with the applicable Bond Registrar or other proper Paying Agents, or are otherwise properly available, sufficient to pay all principal of and interest due on such Bonds, (ii) which have matured and with respect to which moneys have been paid to the Commission as unclaimed moneys pursuant to Section 5.22, or (iii) the provision for payment of which has been made by the Commission as provided in Section 7.01(c);

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Ordinance; and

(d) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in Section 2.11;

provided, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Ordinance, Bonds owned by the Commission, the City of Evanston, Illinois, or any Member or Customer or any Person controlled (by voting share) by the Commission, the City of Evanston, Illinois, or any Member or Customer shall be disregarded and deemed not to be Outstanding.

“Parity Bonds” means bonds or any other obligation to be issued subsequent in time to the Series 2015 Bonds and which pursuant to Article Four will share ratably and equally in the Net Revenues of the System with the Series 2015 Bonds.

“Parity Series Ordinance” means an ordinance of the Commission authorizing the issuance of Parity Bonds.

“Paying Agent” means any Person authorized by the Commission pursuant to the Ordinance to pay the principal of (and premium, if any) or interest on any Bonds.

“Permitted Investments” means any of the following which at the time are legal investments for the Commission under the Constitution and laws of the State of Illinois:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America);

(b) certificates of participation in a trust comprised exclusively of the obligations described in clause (a);

(c) obligations the timely payment of the principal of and interest on which are guaranteed by the United States of America;

(d) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following so long as they are federally chartered: Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation, or Federal Housing Administration;

(e) interest-bearing demand or time deposits (including certificates of deposit) in banks and savings and loan associations insured by the FDIC or the FSLIC (or successor corporations), *provided* that no such deposit in any bank or savings and loan association shall at any time exceed \$10,000,000 or ten percent of the aggregate of the capital stock, surplus and undivided profits of such bank or savings and loan association, whichever is less;

(f) short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase within the highest classification established by Moody's Investors Service, or its successor, and Standard & Poor's Rating Service, or its successor, or if either or both said organizations are no longer rating such obligations, then one or two, as applicable, of such other statistical rating services as are nationally recognized as competent in the rating of such obligations for investment purposes, (ii) such obligations will mature not later than 180 days from the date of purchase, and (iii) such purchases do not exceed 10% of the corporation's outstanding obligations;

(g) money market mutual funds registered under the Investment Company Act of 1940, as from time to time amended, *provided* that the portfolio of any such money market mutual fund is limited to obligations described in clause (a) of this paragraph and to agreements to repurchase such obligations;

(h) the Public Treasurers' Investment Pool established and administered by the State Treasurer of the State of Illinois pursuant to Section 17 of the State Treasurer's Act (15 ILCS 505/17);

(i) repurchase agreements with banks which are members of the Federal Reserve System or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York that are secured by obligations as described in clause (a) of this paragraph having a current market value at least equal to 103% of the amount of the repurchase agreements, marked to market weekly, and which obligations shall have no other lien or encumbrance impressed thereon and shall have been deposited in trust by such banks or dealers with another bank, trust company, or national banking association for the benefit of the Commission and the appropriate Fund or Account as collateral security for such repurchase agreements; and

(j) obligations issued by a state or political subdivision of a state and having at all times the highest or second highest investment grade rating from Moody's Investors Service, or its successor, or Standard & Poor's Rating Service, or its successor, or if either or both said organizations are no longer rating such obligations, then one or two, as applicable, of such other nationally recognized statistical rating organizations as are nationally recognized as competent in the rating of such obligations for investment purposes.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or government agency or political subdivision.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond. For purposes of this definition, any Bond authenticated and delivered under Section 2.11 in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

"Prepayments" means all payments made to the Commission in a Quarter earlier than the Quarter when due.

"Principal Account" means the account of that name in the Water Fund established by Section 3.02 of the Ordinance and governed by Section 3.06 of the Ordinance.

"Principal Requirement" means, for any Fiscal Year, the aggregate principal amount of Bonds having a Stated Maturity on April 1 of that Fiscal Year.

“Prior Lien” means any mortgage, lien, charge or encumbrance on or pledge of or security interest in any of the property of the System or in the Revenues superior to the pledge made by, and the lien created by, the Ordinance to secure the Bonds.

“Prior Lien Obligation” means any indebtedness and the evidence of such indebtedness, if any, secured by a Prior Lien.

“Private Activity Bond Regulations” means Sections 1.141-0 through 1.141-16 of the federal income tax regulations (26 CFR Part 1) relating to “private activity bonds” applicable under Section 141 of the Code, as amended. The term “Private Activity Bond Regulations” also includes other Regulations (if any), Revenue Rulings, Revenue Procedures, Notices, and other official guidance promulgated by the Internal Revenue Service relating to “private activity bonds” under Section 141 of the Code.

“Qualified Engineer” means an Independent registered or licensed engineer, or architect and engineer, or firm of such engineers or architects and engineers, generally recognized to be well qualified in engineering matters relating to the construction and maintenance of water systems.

“Quarter” means a quarter of the Fiscal Year beginning on May 1, August 1, November 1 or February 1.

“Quarterly” means in a Quarter.

“Rebate Fund” means the fund created in and governed by Section 3.18 of the Ordinance.

“Redemption Date” when used with respect to any Bond to be redeemed means the date fixed for such redemption according to the terms of and pursuant to the requirements set forth in the Ordinance.

“Redemption Price” when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to the Ordinance. It includes the applicable premium, if any, but does not include installments of interest whose Stated Maturity is on or before the Redemption Date.

“Regular Accounting” means the application of moneys held in the Water Fund on the second Business Day of each Quarter as provided in Section 3.03.

“Regular Record Date” for the interest payment on any Interest Payment Date means the date specified in the provisions of the Ordinance.

“Regulations” means all applicable federal income tax regulations dealing with tax-exempt bond provisions of the Code including (without limitation) the Private Activity Bond Regulations, the Arbitrage Regulations, Section 5f-103-1, Section 1.149(b)-1, Section 1.149(d)-1, Section 1.149(e)-1, Section 1.149(g)-1, Section 1.150-1, Section 1.150-2 and Section 1.1001-3. The term “Regulations” also includes Revenue Rulings, Revenue Procedures, Notices, and other official guidance promulgated by the Internal Revenue Service relating to the tax-exempt bond provisions of the Code.

“Reserve Account Insurance Policy” means an insurance policy or bond procured by the Commission from an insurance issuer which is, at the time of issuance of such policy, assigned the highest policy holder rating accorded insurers by A.M. Best & Co. or any comparable service and which insurer is of sufficient credit quality to entitle debt backed by such insurance policy or bond to be rated in the top two rating categories by Moody’s Investors Service, or its successor, or by Standard & Poor’s Rating Service, or its successor, so long as either or both, as applicable, of such firms are providing such ratings at such time, to guarantee or assure the timely payment of principal or interest on, or both, of Outstanding Bonds in a stated amount subject only to notification that there are insufficient funds for such payment. This definition also

includes any related covenants or agreements contained in a side document entered into with the insurer in order to obtain the policy.

“Revenues” means all income from whatever source derived from the System, including (a) all payments made under the Member Contract other than pursuant to paragraph 2(b) of the Member Contract; (b) all receipts from the sale of water or contract payments made by Contract Customers under Customer Contracts or payments under other contracts for the sale of water (other than the Member Contract and the Evanston Contract); (c) Investment Earnings (except as otherwise allocable under the provisions of the Ordinance); (d) Prepayments; (e) connection, permit and inspection fees and the like; (f) penalties and delinquency charges; and (g) capital development, reimbursement, or recovery charges and the like; but *excluding expressly*: (i) non-recurring income from the sale of real estate; (ii) proceeds received under governmental or other grants; and (iii) collections of insurance awards or condemnation proceeds (which shall be credited and disbursed as specifically provided in the Ordinance). The term “Revenues” also includes moneys transferred from the Surplus Account to the Water Fund pursuant to Section 3.09(e)(iv).

“Serial Bonds” means Bonds that are not subject to Mandatory Redemption in advance of Stated Maturity by operation of the Principal Account pursuant to Section 3.06 and designated as such in the Ordinance.

“Series 1983 Project” means a construction project for System Project Purposes to provide the Members with a common source of supply of water from Lake Michigan by purchasing water from the City of Evanston, Illinois, and storing as necessary and transporting such water to the Members.

“Series 1993 Project” means a construction project for System Project Purposes that consisted of developing, acquiring, constructing, extending and improving a booster station.

“Series 2015 Bonds” means the \$[Principal Amount] Water Revenue Bonds, Series 2015, initially authorized to be issued and delivered under the Bond Ordinance.

“Series 2015 Expense Fund” means as provided in Section 10.02(B).

“Series 2015 Project” means additional System Project Purposes consisting of acquiring, constructing, improving and equipping improvements to and extensions of the System including, without limitation, (a) a water main to connect the various branches of the System serving the Village of Palatine, Illinois, and (b) a water main to connect the various branches of the System serving the Village of Buffalo Grove, Illinois, and related property and facilities of the Commission used or to be used for the receiving, storage and transmission of water.

“Series 2015 Project Fund” means as provided in Section 10.02(C).

“Series 2015 Term Bonds” means the Series 2015 Bonds having a Stated Maturity on April 1, 20__ [and on April 1, 20__].

“Special Record Date” for the payment of any Defaulted Interest on Bonds means a date fixed by the Commission pursuant to Section 2.12.

“Special Redemption Fund” means the fund created in Section 3.02 of the Ordinance and governed by Section 3.11 of the Ordinance.

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

“Subordinate Bonds” means bonds or any other obligations of the Commission issued for any corporate purposes of the Commission and payable from the Revenues of the System from the Surplus Account.

“Surplus Account” means the account of that name in the Water Fund established by Section 3.02 of the Ordinance and governed by Section 3.09 of the Ordinance.

“System” means the real and personal property acquired, constructed and installed constituting the Series 1983 Project and the Series 1993 Project, the real and personal property to be acquired, constructed and installed constituting the Series 2015 Project, and all other property and facilities of the Commission used or to be used for the receiving, storage and transmission of water, all as existing on the date of adoption of the Bond Ordinance or as they may be subsequently extended or improved; and also all extensions, additions and improvements or replacements subsequently constructed or acquired by purchase, contract or otherwise; all wherever located.

“System Project Purposes” means developing, acquiring, constructing, extending or improving a waterworks system or common source of supply of water, or any combination, paying engineering, legal and other expenses, paying interest to a date one year subsequent to the estimated date of completion of the project for which Bonds are issued, establishing or increasing reserves to secure or to pay such bonds and interest thereon, providing for an adequate depreciation reserve, providing working capital, and paying all other costs or expenses of the Commission incident to and necessary or convenient to carry out its corporate purposes and powers.

“Tax-Exempt” means, with respect to the Series 2015 Bonds, the status of interest paid and received on the Series 2015 Bonds as not includible in the gross income of their owners under the Code 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 and in computing the “branch profits tax” imposed on certain foreign corporations.

“Term Bonds” means Bonds subject to Mandatory Redemption in advance of Stated Maturity by operation of the Principal Account pursuant to Section 3.06 and designated as such in the Ordinance.

“Variable Rate Bond” means any Bond bearing a rate of interest subject to change from time to time.

“Water Fund” means the fund established in Section 3.01 of the Ordinance.

Section 1.02. Rules of Interpretation

The following rules of interpretation apply to the Ordinance:

(a) The Article and Section headings in the Ordinance and in the Table of Contents are for convenience of reference only and do not affect the interpretation of the Ordinance.

(b) References in the Ordinance to the masculine include the feminine and neuter genders and vice versa and references in the Ordinance to the singular include the plural and vice versa, unless the context or use indicates otherwise.

(c) Unless another document is identified, references in the Ordinance to Articles, Sections and other subdivisions are to the designated Articles, Sections and subdivisions of the Ordinance. All references in the Ordinance to designated Articles, Sections and subdivisions of the Ordinance are to the designated Articles,

Sections and other subdivisions of the Bond Ordinance as originally adopted unless the context requires otherwise.

Section 1.03. Acts of Bondholders

Any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Ordinance to be given or taken by Bondholders (each an “Act”) may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing. Except as otherwise expressly provided in the Ordinance, an Act is effective when such instrument or instruments are delivered to the Commission and its duly appointed agent (which may be a Bond Registrar). Proof of execution of any such instrument or of a writing appointing any such agent, is sufficient for any purpose of the Ordinance and conclusive in favor of the Commission and any of its agents.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him or her the execution of such instrument or writing. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit also constitutes sufficient proof of his or her authority.

The fact and date of execution of any such instrument or writing and the authority of any Person executing it may also be proved in any other manner which the Commission or its duly appointed agent or agents deems sufficient. The Commission or its duly appointed agent or agents may in any instance require further proof with respect to any of the matters referred to in this Section.

The ownership of Bonds must be proved by the Bond Register.

Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Bond is binding upon every future Holder of the same Bond and the Holder of every Bond issued upon the transfer of or in exchange for or in lieu of such Bond, in respect of anything done or suffered to be done by the Commission or its duly appointed agent or agents in reliance on such request, demand, authorization, direction, notice, consent, waiver or other action by the Holder, whether or not notation of such action is made upon such Bond; *provided*, that if such action requires the consent of the Holder of each Outstanding Bond affected by such action as described in Section 8.02, such action is binding upon such subsequent Holder only (i) if notation of such action is made upon the Outstanding Bonds held by such Holder or (ii) if such Holder had actual notice of such action at the time of acquisition of such Outstanding Bonds.

Section 1.04. Notice to Commission

Any request, demand, authorization, direction, notice, consent, waiver or Act of Bondholders or other document provided or permitted by the Ordinance to be made upon, given or furnished to, or filed with the Commission by any Bondholder is sufficient for every purpose under the Ordinance if in writing and mailed, first-class mail, postage prepaid (except as otherwise expressly provided in the Ordinance), to the Commission addressed to it at its principal offices located at 1525 North Wolf Road, Des Plaines, Illinois 60016, Attention: Executive Director, at any other address which from time to time may be the principal offices of the Commission, or at any additional or alternative address specified from time to time in any Parity Series Ordinance or any supplemental or amendatory ordinance.

Section 1.05. Notices to Bondholders, Waiver

Where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice given

with respect to other Bondholders. Where the Ordinance provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver is the equivalent of such notice. Waivers of notice by Bondholders must be filed with the Commission, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

Section 1.06. Form and Contents of Documents

Whenever several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Commission may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel for the Commission unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous.

Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Commission or Commission employees having knowledge of the factual matters at issue, stating that the information with respect to such factual matters is in the possession of the Commission unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Whenever any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under the Ordinance, they may, but need not, be consolidated and form one instrument.

Wherever in the Ordinance, in connection with any application or certificate or report, it is provided that the Commission must deliver any document as a condition of the granting of such application or as evidence of the Commission's compliance with any term of the Ordinance, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document must in such case be conditions precedent to the right of the Commission to have such application granted or to the sufficiency of such certificate or report.

Section 1.07. Benefit of Rights under Ordinance

Except as expressly otherwise provided in the Ordinance, nothing in the Ordinance expressed or implied is intended or shall be construed to confer upon any Person other than the Commission and the Holders of the Bonds issued under and secured by the Ordinance, and their respective successors, any right, remedy or claim, legal or equitable, under or by reason of the Ordinance or any covenant, condition or stipulation of the Ordinance. The Ordinance and all of its covenants, conditions and stipulations are intended to be and are for the sole exclusive benefit of the Commission and the Holders of the Bonds and their respective successors.

Section 1.08. Severability

If any one or more of the provisions of the Ordinance or of the Bonds is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Ordinance or of the Bonds, but the Ordinance and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained in the Ordinance or the Bonds, as applicable. If any covenant, stipulation, obligation or

agreement contained in the Bonds or in the Ordinance is for any reason held to be partly unenforceable or in violation of law, then such covenant, stipulation, obligation or agreement of the Commission shall be enforceable to the full extent that the power to incur such obligation or to make such covenant, stipulation or agreement has been conferred on the Commission by law.

Section 1.09. Bonds Are Limited Obligations

The Bonds do not constitute an indebtedness of any Member within the meaning of any statutory or constitutional limitation. The Bonds are payable solely from the Net Revenues and the moneys on deposit in the accounts of the Water Fund. The Bonds do not directly, indirectly or contingently obligate any Member to levy or to pledge any form of taxation for the Bonds.

Section 1.10. Merger of Bond Registrar or Paying Agent

Any bank or trust company with or into which any Bond Registrar or Paying Agent may be merged or consolidated, or to which the assets and business of any Bond Registrar or Paying Agent may be sold, will be deemed the successor of such Bond Registrar or Paying Agent for the purposes of the Ordinance.

Section 1.11. Payments Due When Banks Closed

Except as otherwise expressly provided, whenever a date upon which a payment is to be made under the Ordinance falls on a day that is not a Business Day, such payment may be made on the next succeeding Business Day without interest for the intervening period.

Section 1.12. Applicable Law

The Ordinance provides that it is to be construed under and governed by the internal laws of the State of Illinois, without regard to the conflict of law provisions of Illinois law.

ARTICLE TWO

FINDINGS AND DETERMINATIONS; PROVISIONS GENERALLY APPLICABLE TO BONDS OF ALL SERIES

Section 2.01. Incorporation of Preambles

The Commission found in the Bond Ordinance that all of the recitals contained in the preambles to the Bond Ordinance are true and correct and incorporated them into the Bond Ordinance.

Section 2.02. Determination to Issue Bonds

In the Bond Ordinance, the Commission determined that it is necessary for and in the best interests of the Commission and the Members that the Commission issue Bonds from time to time (a) to finance all or a portion of the costs of acquiring, constructing, improving and equipping System Project Purposes, (b) for any other lawful corporate purpose relating to the System, (c) to refund Bonds previously issued for such purposes, (d) to refund Bonds previously issued for refunding purposes, or (e) for any combination of the foregoing purposes.

Section 2.03. Determination of Useful Life

In the Bond Ordinance, the Commission determined the period of usefulness of the Series 2015 Project to be not less than forty (40) years from the date of adoption of the Bond Ordinance. Each

Parity Series Ordinance is required to include a similar determination of the period of usefulness of the facilities financed or refinanced by the applicable series of Parity Bonds.

Section 2.04. General Designation

The general designation of the Bonds of all Series is “Water Revenue Bonds”.

Section 2.05. General Limitations; Issuable in Series

Except as provided in the Ordinance and except as may be limited by law, the aggregate principal amount of Bonds which may be authenticated and delivered and Outstanding under the Ordinance is not limited.

The Bonds may be issued in series as from time to time authorized by the Commission.

With respect to the Bonds of any particular series, the Commission may incorporate in or add to the general designation of such Bonds any words, letters or figures designed to distinguish that series.

Section 2.06. Terms of Particular Series

Each series of Bonds, except the Series 2015 Bonds, shall be created by a Parity Series Ordinance supplemental to the Ordinance that will become a part of the Ordinance when it becomes effective. Each Parity Series Ordinance will establish the terms and provisions of such series of Parity Bonds and the form of the Parity Bonds of such series and appoint a Bond Registrar and a Paying Agent or Paying Agents for such series. The several series of Parity Bonds may differ from the Series 2015 Bonds and as between series of Parity Bonds in any respect not in conflict with the provisions of the Ordinance and as may be prescribed in the Parity Series Ordinances creating such series.

The Commission may, at the time of the creation of any series of Parity Bonds or at any time thereafter, make, and the Parity Bonds of such series may contain, provision for:

- (a) the exchange or conversion of the Parity Bonds of such series, at the option of their Holders, for or into new Parity Bonds of a different series;
- (b) limiting the aggregate principal amount of the Parity Bonds of such series; and
- (c) exchanging Parity Bonds of such series, at the option of their Holders, for other Parity Bonds of the same series of the same aggregate principal amount of a different authorized kind or authorized denomination or denominations; all upon such terms as the Commission may determine.

All Bonds of the same series must be substantially identical except that Bonds of any series may have different Stated Maturities of principal, different interest rates and terms of redemption for different Stated Maturities of principal, and different denominations.

Section 2.07. Form and Denominations

The form of the Bonds of each series will be as established by the provisions of the Ordinance. The Bonds of each series will be distinguished from the Bonds of other series in such manner as may be determined by the Commission. The form of Parity Bonds will be generally similar to the form of the Series 2015 Bonds included in the Bond Ordinance, with such variations in form, text and terms as are necessary to reflect the terms of a particular series of Bonds and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

The Bonds of each series will be issuable in such denominations as are provided by the provisions of the Ordinance. In the absence of any such provision with respect to the Bonds of any particular series, the Bonds of such series will be of the denomination of \$5,000 or any integral multiple of that amount.

Section 2.08. Execution, Authentication, Delivery, Dating, Interest Payment Dates and Maturity Dates

(a) The Bonds shall be executed on behalf of the Commission by its Chairman and attested by its Clerk. The signature of any of these officers on the Bonds may be manual or by duly authorized facsimile. Bonds bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Commission shall bind the Commission, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Bonds or did not hold such offices at the date of such Bonds.

(b) At any time and from time to time after the passage of the Bond Ordinance, the Commission may deliver Bonds executed by the Commission to the applicable Bond Registrar for authentication, and the execution by the Commission of Bonds shall constitute full and due authorization of such Bonds and the applicable Bond Registrar shall authenticate and deliver such Bonds as in the Ordinance provided and not otherwise. The Bond Registrar may not authenticate and deliver Bonds of a series and maturity in excess of the authorized principal amount of such maturity of such series less Bonds of such series and maturity previously paid.

(c) Prior to the delivery by the Bond Registrar of any series of the Bonds, the Commission must assemble or cause to be assembled a transcript of proceedings and certificates including (among other things) each of the following showings:

(i) a copy, duly certified by the Clerk of the Commission, of (a) the Bond Ordinance, (b) for a series of Parity Bonds, the applicable Parity Series Ordinance creating the series of Parity Bonds, authorizing or confirming their sale and establishing, or providing for the determination by authorized officers within limits therein specified of, the principal amount, Stated Maturities, rates of interest, terms of redemption, sale price and other terms of such Parity Bonds, (c) all other ordinances or resolutions passed by the Commission authorizing the issuance and delivery of Bonds, and (d) the proceedings of the Commission evidencing the adoption of the Bond Ordinance, the applicable Parity Series Ordinance, and all other ordinances or resolutions passed by the Commission authorizing or relating to the issuance and delivery of the Bonds;

(ii) an Officer's Certificate, dated as of the date of delivery, that the aforementioned ordinances, resolutions and proceedings are still in full force and effect without amendments or supplements except as shown in the ordinances, resolutions and proceedings;

(iii) an Officer's Certificate directing the Bond Registrar on behalf of the Commission to authenticate and deliver the Bonds of such series in the aggregate principal amount specified in the Officer's Certificate to purchasers or others entitled to receive them identified in the Officer's Certificate upon payment to the Commission of the sum specified in such Officer's Certificate; and

(iv) an unqualified opinion of bond counsel of national standing approving the Bonds of the series then being delivered as being valid and legally binding special revenue obligations of the Commission; and

(v) such other certificates and showings as may be required pursuant to the provisions of the Ordinance;

(d) All Bonds must bear a Dated Date and the date of their authentication. The Stated Maturity of all Bonds must be April 1 of any year and the Interest Payment Dates of all Bonds except Variable Rate Bonds must be on April 1 and October 1 of any year. Variable Rate Bonds may have Interest Payment Dates at times provided in or pursuant to the applicable Parity Series Ordinance.

(e) No Bond may be secured by, or be entitled to any lien, right or benefit under the Ordinance, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication executed by the Bond Registrar by manual signature, and such manual signature upon any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under the Ordinance.

Section 2.09. Temporary Bonds

Pending the preparation of definitive Bonds, the Commission may execute, and upon request of the Commission as set forth in an Officer's Certificate the applicable Bond Registrar must authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, in registered form, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

If temporary Bonds are issued, the Commission will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds, the Commission must execute and the applicable Bond Registrar must authenticate and deliver in exchange for such temporary Bonds a like principal amount of definitive Bonds of authorized denominations. Until so exchanged, temporary Outstanding Bonds will in all respects be entitled to the security and benefits of the Ordinance; and interest will be paid to the Holders of temporary Bonds in the same manner as interest is paid on definitive Bonds.

Section 2.10. Registration, Transfer and Exchange

For applicable series of Bonds, the Commission shall cause to be kept, at the office of the applicable Bond Registrar, the Bond Register in which, subject to such reasonable regulations as the Commission may prescribe, the Commission shall provide for the registration of Bonds and registration of transfers of Bonds entitled to be registered or transferred as provided in the Ordinance. The applicable Bond Registrar is appointed "Bond Registrar" for the purpose of registering Bonds and transfers of Bonds of such applicable series as provided in the Ordinance.

In the Ordinance, the Commission authorized the preparation of multiple blank forms of the Bonds of each series which the Commission will cause to be executed and delivered to the applicable Bond Registrar. The applicable Bond Registrar must keep custody of such blank forms of Bonds for use in the transfer and exchange of the Bonds of the applicable series.

Upon surrender for transfer of any Bond at the office of the applicable Bond Registrar, the Commission must execute, and the applicable Bond Registrar must authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same series, of any authorized denominations and of a like aggregate principal amount.

If and to the extent so provided with respect to the Bonds of any series, at the option of the Holder, Bonds of such series may be exchanged for Bonds of the same series, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at such office. Whenever any Bonds are so to be surrendered for exchange, the Commission must execute, and the applicable Bond Registrar must authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in the Ordinance must be promptly cancelled by the applicable Bond Registrar and thereafter disposed of.

All Bonds issued upon any transfer or exchange of Bonds will be the valid obligations of the Commission, evidencing the same debt, and entitled to the same security and benefits under the Ordinance, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange must (if so required by the Commission or the Bond Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Commission and the Bond Registrar duly executed, by the Holder or his or her attorney duly authorized in writing.

No service charge may be made for any registration, discharge from registration, transfer or exchange of Bonds, but the Commission may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed by any Person other than the Commission or any Member in connection with any transfer or exchange of Bonds, other than exchanges under either Section 2.09 or 8.04 not involving any transfer.

The Commission is not required (a) to issue, transfer or exchange any Bond of any series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Bonds of such series and ending at the close of business on the day of mailing, or (b) to transfer or exchange any Bond so selected for redemption in whole or in part, or (c) to transfer or exchange any Bond of any series for Bonds during a period beginning at the opening of business on any Regular Record Date for such series and ending at the opening of business on the relevant Interest Payment Date.

Section 2.11. Mutilated, Destroyed, Lost and Stolen Bonds

If (a) any mutilated Bond is surrendered to the Commission or the applicable Bond Registrar, or the Commission and the applicable Bond Registrar receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Commission and the applicable Bond Registrar such security or indemnity as is necessary to hold each of them harmless then, in the absence of notice to the Commission or the applicable Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Commission must execute and upon its request the applicable Bond Registrar must authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same series and of like tenor and principal amount, bearing a number not contemporaneously outstanding. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Commission in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this Section, the Commission may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed by any Person other than the Commission or any Member in relation thereto and any other expenses connected with such issuance.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost or stolen Bond will constitute an original additional contractual obligation of the Commission, whether or not the destroyed, lost or stolen Bond is at any time enforceable by anyone, and will be entitled to all the security and benefits of the Ordinance equally and ratably with all other Outstanding Bonds.

Except as provided in applicable law, including but not limited to the Illinois Uniform Commercial Code and the Illinois Bond Replacement Act, as such may be amended or supplemented after the date of adoption of the Bond Ordinance, the provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

Section 2.12. Payment of Interest and Defaulted Interest; Interest Rights Preserved

Interest on any Bond of any series which is payable, and is punctually paid or duly provided for, on any Interest Payment Date will be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest specified in the provisions of the Bond Ordinance for the Series 2015 Bonds and the relevant Parity Series Ordinance for a series of Parity Bonds.

Defaulted Interest shall cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest may be paid by the Commission, at its election in each case, as provided in A or B below:

A. The Commission may elect to make payment of any Defaulted Interest on the Bonds of any series to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Commission must notify the applicable Bond Registrar in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date must be such as will enable the applicable Bond Registrar to comply with the next sentence), and at the same time the Commission must deposit with the applicable Bond Registrar or other proper Paying Agents an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or make arrangements satisfactory to the applicable Bond Registrar for such deposit prior to the date of the proposed payment. Such money when deposited will be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this subsection provided. Thereupon the Commission, with the consent of the applicable Bond Registrar, must fix a Special Record Date for the payment of such Defaulted Interest which may be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the applicable Bond Registrar of the notice of the proposed payment. The applicable Bond Registrar will promptly notify the Commission of such Special Record Date and, in the name and at the expense of the Commission, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class mail, postage prepaid, to each Holder of a Bond of such series at his or her address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest will be paid to the Persons in whose names the Bonds of such series (or their respective Predecessor Bonds) are registered on such Special Record Date and will no longer be payable pursuant to the following Subsection B.

B. The Commission may make payment of any Defaulted Interest on the Bonds of any series in any other lawful manner if, after notice given by the Commission to the applicable Bond Registrar of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the applicable Bond Registrar.

Subject to the foregoing provisions of this Section, each Bond delivered under the Ordinance upon transfer of or in exchange for or in lieu of any other Bond will carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond will bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Section 2.13. Persons Deemed Owners

The Commission, the applicable Bond Registrar, and any agent of the Commission or the applicable Bond Registrar may treat the Holder of any Bond as the owner of such Bond for the purpose of

receiving payment of principal of (and premium, if any) and interest on such Bond and for all other purposes (except the payment of interest payable on presentation of any temporary Bond), whether or not such Bond is overdue; and, to the extent permitted by law, the Commission, the applicable Bond Registrar and any such agent will not be affected by notice to the contrary. Payment of the principal of and interest on a Bond may be made only to its Holder, and all such payments will be valid and effective to satisfy the obligation of the Commission on the Bond to the extent of the amount paid.

Section 2.14. Cancellation

Bonds surrendered for payment, redemption, transfer or exchange, if surrendered to the applicable Bond Registrar, must be promptly cancelled by it and, if surrendered to any Person other than the applicable Bond Registrar, must be delivered to the applicable Bond Registrar and, if not already cancelled, must be promptly cancelled by it. The Commission may at any time deliver to the applicable Bond Registrar for cancellation any Bonds previously authenticated and delivered under the Ordinance which the Commission may have acquired in any manner whatsoever, and all Bonds so delivered must be promptly cancelled by the applicable Bond Registrar. No Bond may be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by the Ordinance. All cancelled Bonds held by the applicable Bond Registrar must be (a) destroyed by the Bond Registrar, and the Bond Registrar must then issue to the Commission a certificate of destruction; or (b) such cancelled Bonds shall be disposed of as is otherwise directed by a Commission Request.

Section 2.15. Confirmation of Bonds

Each Bond Registrar accepting duties under the Ordinance agrees to (a) furnish the Commission at least annually a certificate with respect to Bonds cancelled and/or destroyed, and (b) furnish the Commission at least annually an audit confirmation of Bonds paid, Bonds not paid, and payments made with respect to interest on Bonds.

Section 2.16. Variable Rate Bonds

Notwithstanding the provisions generally applicable to Bonds, Variable Rate Bonds may be issued with such (i) Interest Payment Dates; (ii) provisions supplementing the provisions of Section 3.05 for funding the Interest Account to pay interest on such Variable Rate Bonds; (iii) provisions for registration, transfer, execution and authentication; (iv) provisions for mandatory and optional tender for purchase; (v) provisions for credit enhancement or liquidity support; (vi) provisions for holding and application of funds for the purchase and sale or repurchase and resale of such Bonds; (vii) means of payment; (viii) provisions regarding rights of subrogation; and (ix) other terms as provided in the Parity Series Ordinances for the Variable Rate Bonds. The provisions specially applicable to Variable Rate Bonds shall not affect the status of such Variable Rate Bonds as Parity Bonds or grant any other lien on the Revenues than the lien of all Bonds under the Ordinance.

Section 2.17. Election to Redeem; Notice to Bond Registrar

The election of the Commission to redeem any Bonds pursuant to optional redemption shall be evidenced by a Commission Resolution. In connection with any such redemption, the Commission must, at least 45 days prior to the Redemption Date fixed by the Commission (unless a shorter notice shall be satisfactory to the applicable Bond Registrar) notify the applicable Bond Registrar of each of the following:

- (a) the Redemption Date; and
- (b) the series of Bonds to be redeemed and, if less than all Bonds of a series are to be redeemed, then: (i) the principal amount of the Bonds of such series to be redeemed, and (ii) if the Commission pursuant to the terms of the Bonds of such series may in its discretion select among the Bonds of such series to be

redeemed, then the Bonds so selected for redemption (designated by Stated Maturity or bond number or any other manner reasonably identifying such Bonds).

Section 2.18. Mandatory Redemption Pursuant to Operation of Principal Account

Subject to the provisions of Section 3.06 relating to operation of the Principal Account, when Mandatory Redemption of Bonds is required and timely deposits have been made by the Commission pursuant to the Mandatory Redemption Requirement, the applicable Bond Registrar will proceed with such redemption without further action or direction from the Commission.

Section 2.19. Selection of Bonds to be Redeemed

If less than all the Outstanding Bonds of any series are to be redeemed and all or any portion of the Bonds to be redeemed are, pursuant to the Ordinance, to be selected by lot, then the particular Bonds to be redeemed must be selected not more than 45 days prior to the Redemption Date by the applicable Bond Registrar randomly from such Outstanding Bonds in such manner as the applicable Bond Registrar deems fair and appropriate. Such selection shall include the redemption of portions (equal to the greater of \$5,000 or the smallest authorized denomination of the Bonds of such series, or an integral multiple of that amount) of the principal of Bonds of a denomination larger than \$5,000.

The applicable Bond Registrar will promptly notify the Commission in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount of such Bond to be redeemed.

For all purposes of the Ordinance, unless the context otherwise requires, all provisions relating to the redemption of Bonds relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

Section 2.20. Notice of Redemption; Conditional Notice of Redemption

Unless waived by the Holder of Bonds to be redeemed, notice of the redemption of any Bonds which by their terms have become subject to redemption will be given to the Holder of each Bond or portion of a Bond called for redemption not less than 30 or more than 45 days before any date established for redemption of such Bonds, by the Bond Registrar on behalf of the Commission, by first class mail, postage prepaid, sent to the Holder's last address, if any, appearing on the registration books kept by the Bond Registrar.

All official notices of redemption must be dated and must include at least the information as follows:

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) the series and maturity or maturities and designation of the Bonds to be redeemed and, if less than all of the Bonds of a single series and maturity are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed, including date of issue, interest rate, maturity date, CUSIP number, if applicable, and bond number;
- (d) subject to the provisions below regarding conditional notice of redemption, a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion of a Bond called for redemption and that interest shall cease to accrue on the Bonds so called for redemption from and after said date; and

(e) the place or places where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated corporate trust office or offices of the Paying Agent or Paying Agents.

Notice of redemption of Bonds to be redeemed at the election of the Commission shall be given, at the Commission's request, by the applicable Bond Registrar in the name and at the expense of the Commission.

Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed have been received by the applicable Paying Agent prior to the giving of such notice of redemption, such notice may, at the option of the Commission, state that redemption will 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 will be of no force and effect, the Commission will not redeem such Bonds, and the Bond Registrar will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the Commission must deposit with the applicable Paying Agent an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Section 2.21. Deposit of Redemption Price

Subject to the provisions of Section 2.20 regarding conditional notice of redemption, prior to any Redemption Date, the Commission must deposit with the applicable Paying Agent or Paying Agents an amount of money sufficient to pay the Redemption Price of all the Bonds which are to be redeemed on that date. Such money will be held in trust for the benefit of the Persons entitled to such Redemption Price.

Section 2.22. Bonds Payable on Redemption Date

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed will, subject in the case of conditional notice of redemption to the receipt of moneys by the applicable Paying Agent on or prior to the date fixed for redemption in an amount sufficient to pay the redemption price on the Redemption Date, become due and payable at the Redemption Price specified in the notice, and from and after such date (unless the Commission defaults in the payment of the Redemption Price), such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with the notice, such Bond will be paid by the Commission at the Redemption Price. Interest having a Stated Maturity on or prior to the Redemption Date must be payable to the Holders of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 2.12.

Subject to the provisions of Section 2.20 regarding conditional notice of redemption, if any Bond called for redemption is not paid upon surrender for redemption, the principal (and premium, if any) will, until paid, bear interest from the Redemption Date at the rate prescribed in the Bond.

Section 2.23. Bonds Redeemed in Part

Any Bond which is to be redeemed only in part must be surrendered at the office of the applicable Bond Registrar (with, if the Commission or the applicable Bond Registrar so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Commission and the applicable Bond Registrar duly executed by, the Holder of such Bond or his or her attorney duly authorized in writing). The Commission will execute and the applicable Bond Registrar will authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same series of any authorized denomination or denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

ARTICLE THREE

THE WATER FUND AND THE ACCOUNTS IN IT; THE SPECIAL REDEMPTION FUND; THE REBATE FUND

Section 3.01. The Water Fund

The Bond Ordinance created a special fund of the Commission designated the “Water Fund” (the “**Water Fund**”). The Water Fund is a trust fund for the sole purpose of carrying out the covenants, terms and conditions of Division 135, the Ordinance and the Member Contract.

The System and the Water Fund will be operated on a Fiscal Year basis. All Revenues of the System will be set aside as collected and deposited as received into the Water Fund. Funds may also be transferred from the Surplus Account and treated as Revenues pursuant to Section 3.09.

Section 3.02. Accounts in the Water Fund

The Bond Ordinance created and established the following accounts (collectively, the “**Accounts**”) in the Water Fund:

- (a) Operation and Maintenance Account, in which there shall be an Operation and Maintenance Reserve Subaccount;
- (b) Interest Account;
- (c) Principal Account;
- (d) Debt Service Reserve Account;
- (e) Depreciation, Improvement and Extension Account; and
- (f) Surplus Account.

Section 3.03. Flow of Funds; Use of System Revenues; Prepayments

On the second Business Day of each Quarter and upon the receipt of any late payment, the Commission must credit to the Accounts, in the order of priority set forth in this Section, all moneys held in the Water Fund in the amounts provided in the following Sections 3.04 through 3.09 (such crediting is referred to as the “**Regular Accounting**”).

The Commission may provide for additional accountings (“**Additional Accountings**”) in any Quarter.

All Prepayments must be clearly identified as such by the Treasurer or other Officer of the Commission. In crediting Revenues derived from Prepayments, the Commission must add to the required credits to each Account as designated below the entire amounts required to be credited to such Accounts in the succeeding Quarter or Quarters with respect to which such Prepayments were made. Such additional Account requirements will then be met with the Revenues derived from the Prepayments so that such Prepayments are accumulated in the Accounts for availability during the Quarter or Quarters for which made. Payments for services to be rendered or water to be supplied in the Quarter in which received may not be used or required for the additional Account requirements occasioned by Prepayments. The increase in Account requirements resulting from Prepayments shall not affect disbursement from any of the Accounts as provided below.

The Commission must disburse the moneys in the Accounts in the Water Fund for the purposes, in the amounts and upon such showings as provided in the following Sections.

Section 3.04. Operation and Maintenance Account

(a) There first shall be credited to the Operation and Maintenance Account an amount sufficient, when added to the amount then to the credit of that Account, to establish a credit balance in an amount not less than the greater of the following:

(i) An amount sufficient to pay Operation and Maintenance Costs for the current Quarter (or, if for an Additional Accounting, for the remainder of such Quarter) or

(ii) An amount determined by taking a percentage of total Operation and Maintenance Costs as budgeted for the current Fiscal Year, such percentage being determined for any Accounting made within the Quarters as follows:

<u>Quarter Beginning</u>	<u>Percentage</u>
May 1	30%
August 1	60%
November 1	80%
February 1	100%

minus the actual Operation and Maintenance Costs paid in such Fiscal Year up to the date of Accounting;

plus, in any event (i.e. (a) and (b) above), the Operation and Maintenance Reserve Amount.

(b) The Operation and Maintenance Reserve Amount shall be held in the Operation and Maintenance Reserve Subaccount. Amounts on deposit in the Operation and Maintenance Reserve Subaccount will be applied as needed to pay Operation and Maintenance Costs to the extent other moneys on deposit in the Operation and Maintenance Account are insufficient for the purpose. The Operation and Maintenance Reserve Subaccount will be initially funded upon the issuance of the Series 2015 Bonds.

(c) Additional amounts will be credited to the Operation and Maintenance Account from Prepayments as provided in Section 3.03.

Section 3.05. Interest Account

There shall next be credited to the Interest Account 30% of the then current Interest Requirement in the Quarters beginning May 1 and August 1 of each Fiscal Year and 20% of the then current Interest Requirement in the quarters beginning November 1 and February 1 of each Fiscal Year until there has been accumulated, on or before April 1 of such Fiscal Year, the then current Interest Requirement less interest due and paid at Stated Maturity prior to April 1 of such Fiscal Year. Credits to the Interest Account shall be suspended at such time as the credit balance in the Interest Account equals the amount of the then current Interest Requirement less interest due and paid at Stated Maturity of interest prior to April 1 of such Fiscal Year but shall be resumed whenever the credits to the Interest Account are less than that amount until the credit balance has been restored to the required amount.

Additional amounts will be credited to this Account from Prepayments as provided in Section 3.03.

All moneys to the credit of the Interest Account shall be used solely to pay interest on Outstanding Bonds.

Section 3.06. Principal Account

There shall next be credited to the Principal Account 30% of the then current Principal Requirement and Mandatory Redemption Requirement in the Quarters beginning May 1 and August 1 of each Fiscal Year and 20% of the then current Principal Requirement and Mandatory Redemption Requirement in the Quarters beginning November 1 and February 1 of each Fiscal Year until there shall have been accumulated in the Principal Account in or before the Quarter preceding the next Stated Maturity or Mandatory Redemption date, or both, an amount sufficient to pay the principal of such Bonds due or subject to Mandatory Redemption. Credits to the Principal Account shall be suspended when the amount credited equals the amount of the then current Principal Requirement and Mandatory Redemption Requirement but shall be resumed whenever the credits to the Principal Account are less than that amount until the credit balance has been restored to the required amounts.

Additional amounts will be credited to this Account from Prepayments as provided in Section 3.03.

All moneys to the credit of the Principal Account shall be used solely as follows:

(a) amounts credited against the Principal Requirement to pay principal of Outstanding Bonds at Stated Maturity shall be used solely to pay such principal as it becomes due;

(b) amounts credited against the Mandatory Redemption Requirement to pay principal of Outstanding Bonds subject to Mandatory Redemption shall, at the option of the Commission, be used only: (i) to redeem the Outstanding Bonds subject to Mandatory Redemption on the date of Mandatory Redemption provided; (ii) to purchase the Outstanding Bonds subject to Mandatory Redemption, either in the open market or pursuant to tender offer, for settlement on or before the date of Mandatory Redemption provided, at a price not greater than the applicable Redemption Price upon Mandatory Redemption; or (iii) any combination of the foregoing, subject to the condition that redemption or purchase of the Outstanding Bonds subject to Mandatory Redemption shall have been duly provided for in the amount, from the series, and on or before the date or dates so provided for Mandatory Redemption;

provided, that if there are insufficient funds to pay at Stated Maturity any of the Outstanding Bonds, there shall be no preference or priority between Outstanding Bonds having a Stated Maturity and those having a Redemption Date on such date of Stated Maturity, notwithstanding that relatively more or less may be available from credits against the Principal Requirement or the Mandatory Redemption Requirement.

Unless notified that the Commission has binding commitments to purchase Outstanding Bonds subject to Mandatory Redemption pursuant to clause (b)(ii) of the preceding paragraph not less than 45 days prior to a date fixed for Mandatory Redemption, the applicable Bond Registrar shall proceed with Mandatory Redemption of the Outstanding Bonds so subject pursuant to clause (b)(i) of the preceding paragraph without further order or direction.

Section 3.07. Debt Service Reserve Account

Until the credit balance of the Debt Service Reserve Account equals the amount of the Debt Service Reserve Account Requirement, there shall next be credited to the Debt Service Reserve Account the amount of the Debt Service Reserve Account Quarterly Requirement. The Debt Service Reserve Account will be initially funded upon the issuance of the Series 2015 Bonds.

Additional amounts will be credited to this Account from Prepayments, as provided in Section 3.03.

Amounts to the credit of the Debt Service Reserve Account must be used to pay principal of, applicable premium and interest on the Outstanding Bonds at any time when there are insufficient funds available in the Interest Account or the Principal Account, or in both, to pay the same at Maturity but only after application of all moneys available and on deposit in the Special Redemption Fund or to the credit of the Surplus Account and the Depreciation, Improvement and Extension Account to such purpose.

The Commission, at its option, may provide a Reserve Account Insurance Policy in satisfaction of all or any portion of the Debt Service Reserve Account Requirement. The procurement of a Reserve Account Insurance Policy shall be treated as a proper credit in lieu of cash to the Debt Service Reserve Account to the stated amount of such policy then in force and available to draw upon. Reference is made to Section 5.24 of the Ordinance for certain covenants which may be made with respect to such policy.

Section 3.08. Depreciation, Improvement and Extension Account

There shall next be credited to the Depreciation, Improvement and Extension Account the amount of the Depreciation, Improvement and Extension Account Quarterly Requirement. The Depreciation, Improvement and Extension Account will be initially funded upon the issuance of the Series 2015 Bonds.

Additional amounts will be credited to this Account from Prepayments as provided in Section 3.03.

Amounts to the credit of the Depreciation, Improvement and Extension Account must be used for (a) the payment of the cost of extraordinary maintenance, necessary repairs and replacements, or contingencies, the payment for which no other funds are available, in order that the System may at all times be able to render effective and efficient service; (b) the payment of the cost of improvements of and extensions to or of acquisitions for the System, *provided* that the Commission shall have determined that the credit balance of the Depreciation, Improvement and Extension Account after payment of costs pursuant to this clause shall be an adequate and sufficient amount for the purposes specified in clause (a) immediately preceding; and (c) the payment of principal of or interest or applicable redemption premium on any Outstanding Bonds at any time when there are insufficient funds in the Interest Account or the Principal Account, or in both, to pay the same at Stated Maturity but only after application of all moneys on deposit in the Special Redemption Fund or to the credit of the Surplus Account to such purpose.

Whenever an amount is withdrawn from the Depreciation, Improvement and Extension Account for the purpose stated in clause (c) of the preceding paragraph, the amount so transferred will be added to the amount to be next and thereafter credited to the Depreciation, Improvement and Extension Account until full reimbursement to the Depreciation, Improvement and Extension Account has been made.

Section 3.09. Surplus Account

All moneys remaining in the Water Fund after crediting the required amounts to the respective Accounts as provided in Sections 3.04 through 3.08, inclusive, and after making up any deficiency in any of those Accounts shall be credited to the Surplus Account.

Moneys to the credit of the Surplus Account shall be used in the following order of priority:

(a) Such amount as may be necessary shall be used to make up any deficiencies occurring at any time in the respective Accounts as provided in Sections 3.04 through 3.08, inclusive.

(b) Such amount shall be credited to the Rebate Fund as may be necessary to maintain the tax-exempt status of Bonds the interest on which is intended to be tax-exempt.

(c) Such amount as may be necessary shall be credited to the Debt Service Reserve Account until the credit balance of the Debt Service Reserve Account equals the Debt Service Reserve Account Requirement.

(d) Such amount as may be necessary shall be credited to the Depreciation, Improvement and Extension Account until the credit balance of the Depreciation, Improvement and Extension Account equals the Depreciation, Improvement and Extension Account Maximum Requirement.

(e) The balance of the moneys to the credit of the Surplus Account determined at each Accounting shall, at the discretion of the Commission, be used for one or more of the following purposes, without any priority among them:

(i) for the purpose of constructing or acquiring repairs, replacements, renewals, improvements or extensions to the System;

(ii) for the purpose of calling and redeeming Outstanding Bonds which are callable at the time;

(iii) for the purpose of purchasing Outstanding Bonds at the time at a price which, prior to six months prior to the earliest Redemption Date of the Outstanding Bonds to be purchased, shall be as determined by the Commission and, thereafter, shall not exceed the Redemption Price payable on the Outstanding Bonds to be purchased at the next Redemption Date plus accrued interest to the date of purchase;

(iv) for transfer to the Water Fund;

(v) for the purpose of paying principal of and interest and applicable premium on any Subordinate Bonds;

(vi) for the purpose of reducing charges to or payments due from the Members; or

(vii) for any other lawful corporate purpose related to the System.

Section 3.10. Deficiencies in Accounts in Water Fund

The Commission covenants and agrees that the Revenues of the System are to be paid into the various Accounts as provided in Sections 3.04 through 3.09, inclusive, in the order in which those Accounts are listed in Section 3.02. If, within any period of time, the Revenues are insufficient to place the required amounts in any one or more of those Accounts, the deficiencies must be made up from available Revenues during the following period or periods after payments into all of the Accounts having a prior position in the list in Section 3.02 have been made in full.

Section 3.11. Special Redemption Fund

The Bond Ordinance created a separate fund, designated the "Special Redemption Fund," into which deposits and from which disbursements are to be made as provided in the Ordinance.

There shall be deposited into the Special Redemption Fund all moneys, dividends, receipts or proceeds derived from each of the following: (a) insurance proceeds and condemnation awards to the extent

provided in Section 5.05, (b) transfers from a construction or project fund upon completion of a project to the extent provided in the Ordinance, and (c) as otherwise provided.

Moneys deposited into the Special Redemption Fund are to be used as follows: (a) to pay principal of or interest or redemption premium on any Outstanding Bonds when there are no other funds for such purpose; or, if not at any time of determination needed for the purposes set forth in this clause (a), then (b) to redeem Outstanding Bonds or to purchase Outstanding Bonds subject to the same limitations as described in Section 3.09(e)(iii) relating to purchase of Outstanding Bonds from moneys in the Surplus Account. Moneys in the fund set aside to be used pursuant to clause (b) of this paragraph shall not be deemed available pursuant to clause (a).

Section 3.12. Insurance Dividends

Any dividend paid by an insurance company must be deposited into the Fund out of which the premium which produced or resulted in such dividend was paid.

Section 3.13. Investment of Moneys in the Funds and Accounts

The moneys to the credit of the Water Fund and the Special Redemption Fund and held under the Ordinance will be invested in Permitted Investments subject to the following limitations:

(a) All investments must mature or be subject to redemption by the holder prior to the time the money so invested is needed and in no event longer than ten years from the date of investment.

(b) Moneys in any of the funds or accounts must be invested, if necessary, in investments restricted as to yield, which investments may be in United States Treasury Obligations--State and Local Government Series, if available, and to such end the Treasurer shall refer to any investment restrictions covenanted by the Commission or any officer of the Commission as part of the transcript of proceedings for the issuance of Bonds and to appropriate Opinions of Counsel.

Section 3.14. Disposition of Investment Earnings in the Water Fund and the Special Redemption Fund

Investment Earnings in the Water Fund will be retained in the Water Fund and treated as Revenues.

Investment Earnings in the Special Redemption Fund will be retained in that Fund.

Section 3.15. Valuation of Investments

All investments will be carried at amortized cost.

Section 3.16. Application of Excess in Certain Accounts

Whenever, as of the first Quarterly Accounting in any Fiscal Year and at such other Accountings as the Commission may determine, the amount of money to the credit of the Debt Service Reserve Account or the Depreciation, Improvement and Extension Account is more than the Debt Service Reserve Account Requirement or the Depreciation Improvement and Extension Account Maximum Requirement, respectively, such excess shall be credited generally to the Water Fund.

Section 3.17. Trust Funds – Pledges, Liens and Security Interests

The Water Fund and the Special Redemption Fund shall be funds held in trust by the Commission and the Commission Treasurer for the benefit of the Holders of the Outstanding Bonds, all as and to the extent provided in the Ordinance and subject to use and disbursement as provided in the Ordinance. Amounts from time to time on deposit in the Interest Account, the Principal Account, the Debt Service Reserve Account, the Depreciation, Improvement and Extension Account (to the extent therein provided), the Surplus Account (to the extent therein provided) and the Special Redemption Fund are pledged to pay principal of, the Redemption Price of and interest on the Bonds as it falls due. To the extent permitted by applicable law, the Commission in the Ordinance grants, for the benefit of the Holders of the Outstanding Bonds, a lien on and security interest in all amounts from time to time on deposit in the Interest Account, the Principal Account, the Debt Service Reserve Account, the Depreciation, Improvement and Extension Account (to the extent therein provided), the Surplus Account (to the extent therein provided) and the Special Redemption Fund.

The pledges, security interests and liens granted in the Ordinance do not extend to the Rebate Fund or to the Series 2015 Expense Fund, the Series 2015 Project Fund, or similar funds established in connection with the issuance of Parity Bonds.

As provided in Section 13 of the Debt Reform Act, the pledges, security interests and liens granted in the Ordinance are valid and binding from the respective dates Bonds are issued. The Revenues, moneys and other funds pledged under the Ordinance and subsequently received by the Commission shall be immediately subject to the lien of such pledge without any physical delivery or further action, and shall be valid and binding and prior to the claims of all parties having any claims of any kind in tort, contract or otherwise against the Commission or any Member or any other person, whether or not the other parties have notice of the lien or security interest.

Funds and investments held by any Person or Paying Agent for Bonds in a capacity which results in such Bonds being no longer “Outstanding” under the Ordinance shall be held in trust, separate and apart, for the Holders of such Bonds until paid or returned to the Commission as provided in Section 5.22.

Section 3.18. Rebate Fund

The Bond Ordinance created a separate fund designated the “Rebate Fund,” which is to be held in trust by the Commission and the Commission Treasurer for the purposes for which created and into which deposits and from which disbursements will be made as provided in the Ordinance.

To the extent required by Officer’s Certificates or Commission Ordinances or Resolutions or Opinions of Counsel in connection with any Bonds, there must be deposited into the Rebate Fund (a) transfers from the Surplus Account pursuant to Section 3.09 and (b) transfers of investment earnings on the Series 2015 Project Fund, to the extent required to maintain the tax-exempt status of the interest paid on Bonds issued on a tax exempt basis. All rebates, special impositions or taxes for such purpose payable to the United States of America (Internal Revenue Service) will be payable from the Rebate Fund.

Investment of moneys on deposit in the Rebate Fund shall be as provided in such certificates, ordinances, resolutions and opinions as relate to the Rebate Fund. Investment Earnings in the Rebate Fund shall be retained in that Fund.

ARTICLE FOUR

PRIOR LIEN, PARITY AND SUBORDINATE BONDS

Section 4.01. Issuance of Parity Bonds

The Commission may from time to time issue Parity Bonds for any lawful corporate purpose related to the System, subject to the conditions specified in this Article IV. All Parity Bonds will be of the same rank as all other Outstanding Bonds and will be payable as to principal from the Principal Account and as to interest from the Interest Account on a parity with all other Outstanding Bonds, but shall bear such other specific terms and be issued at such prices as are approved by a Parity Series Ordinance and any supplemental proceedings of the Commission.

Prior to the delivery of any of Parity Bonds, the Commission must prepare and assemble a transcript including those items required by Section 2.08(c) and the following additional items:

- (a) an Officer's Certificate to the effect that, immediately after the issuance of the proposed Parity Bonds, no Event of Default will exist under the Ordinance; and
- (b) evidence that proceeds of such Parity Bonds were paid over and deposited as specified in or pursuant to the Parity Series Ordinance.

Section 4.02. No Prior Lien Obligations and No Parity Bonds or Subordinate Bonds Except as Permitted by the Ordinance

All Outstanding Bonds shall enjoy complete parity of lien on the Revenues despite the fact that any of the Bonds may be delivered at an earlier date or a later date than other Bonds. The Commission (a) will issue no Prior Lien Obligations and (b) will issue no Parity Bonds, Subordinate Bonds or any other obligation of any kind or nature payable from or enjoying a lien on all or any part of the Revenues or the System except as permitted by the Ordinance.

Section 4.03. Parity Bonds for Refunding

Parity Bonds may be issued for the purpose of refunding Bonds at or in advance of Maturity, if either of the conditions set forth in A or B as follows are met:

A. The Commission shall have received the certificate of an Independent certified public accountant (i) setting forth the Current Debt Service Requirement of all Outstanding Bonds during the then current Fiscal Year and for each Fiscal Year to and including the Fiscal Year of the last Maturity of any Outstanding Bonds (a) with respect to all such Outstanding Bonds immediately prior to the proposed date of authentication and delivery of such refunding Bonds and (b) with respect to all Outstanding Bonds immediately thereafter and (ii) demonstrating that the amount set forth for each Fiscal Year pursuant to (a) above is no greater than the amount set forth for each such Fiscal Year pursuant to (b) above except for the last Fiscal Year of such comparison, for which year it shall be demonstrated that the amount set forth in (b) above is not greater than the average for all Fiscal Years (excluding the last) of the amounts set forth in (a) above; or

B. All Outstanding Bonds are being refunded under arrangements which immediately result in making provision for their payment in such manner that they will no longer be Outstanding.

Parity Bonds may also be issued to refund Bonds within six months prior to, at or after their Maturity in order to prevent or remedy a default in the payment of principal or interest or redemption premium. The need to issue Bonds for the purpose set forth in this paragraph shall be established by a finding by the Commission in the Parity Series Ordinance creating the series of such refunding Bonds.

Outstanding Bonds which may be subject to Mandatory Redemption by operation of the Principal Account shall remain so subject as if the escrow or trust fund or account from which provision for refunding will be made were the Principal Account.

Section 4.04. Parity Bonds For Purposes Other Than Refunding

Parity Bonds may be issued for purposes other than refunding Bonds upon compliance with the following conditions:

A. The amounts required to be on deposit in the respective Accounts of the Water Fund described in Article Three of the Ordinance shall have been credited in full as determined immediately after the issuance of the Parity Bonds, as evidenced by an Officer's Certificate.

B. The Commission shall have received an Opinion of Counsel from Independent bond counsel of national standing that there is in existence a valid and legally binding Member Contract obligating the Members, collectively, to make payments to the Commission for deposit into the Water Fund with respect to such Parity Bonds proposed to be issued (i) on the same basis as such Members must make payments with respect to all other Outstanding Bonds determined immediately after the issuance of the proposed Parity Bonds and (ii) in sufficient amounts to provide for all required deposits in and credits to and payments from the Water Fund as provided in the Ordinance as determined immediately after the issuance of the Parity Bonds; but such opinion need only relate to the period of time during which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding Bonds as provided in the Ordinance.

C. If the series of Parity Bonds is being issued to finance the costs of developing, acquiring, constructing, extending or improving the System, the Commission shall have received a certificate of a Qualified Engineer, setting forth (i) the then estimated date of completion of the proposed project, (ii) the then estimated period of usefulness of the proposed project, and the then estimated cost of development, acquisition, construction, extension and/or improvement of the proposed project.

D. The Commission shall have received a certificate of an Independent certified public accountant setting forth (A) for either one of the two completed Fiscal Years next preceding the authentication and delivery of such series of Parity Bonds, the Net Revenues for such Fiscal Year, and (B) the aggregate Current Debt Service Requirement during the Fiscal Year so selected with respect to all series of Bonds which were then Outstanding; and showing that the Net Revenues for such Fiscal Year were at least equal to 1.10 times the aggregate Current Debt Service Requirement for such Fiscal Year with respect to such Bonds which were then Outstanding.

E. The Commission shall have received a certificate of a Qualified Engineer setting forth the Estimated Net Revenues (assuming the completion of any proposed project referred to in C. above on its then estimated date of completion and giving effect to any increases in fees, charges and rates that have been imposed by the Commissions and that have become or will become effective during the Fiscal Years covered by the certificate) for the

then current Fiscal Year and for each succeeding Fiscal Year to and including the second Fiscal Year succeeding the latest estimated date of completion of the proposed project;

F. The Commission shall have received a certificate of an Independent certified public accountant or of an independent municipal financial advisor showing (i) the aggregate Current Debt Service Requirement for each of the Fiscal Years set forth in the Qualified Engineer's certificate delivered pursuant to paragraph (E) above with respect to all Series of Bonds to be Outstanding immediately after the authentication and delivery of such Series of Parity Bonds being issued (taking into account any capitalized interest set aside for the proposed series of Parity Bonds and all other Series of Bonds to be Outstanding immediately after the authentication and delivery of such series of Parity Bonds) and (ii) that the Estimated Net Revenues as shown in such Qualified Engineer's certificate for each of such Fiscal Years are not less than 1.10 times the aggregate Current Debt Service Requirement for each of such Fiscal Years with respect to all Series of Bonds to be Outstanding immediately after the authentication and delivery of such Series of Parity Bonds being issued.

Section 4.05. Subordinate Bonds

Subordinate Bonds payable, as provided in Article Three, from the Surplus Account may be issued as determined by the Commission. The proceedings authorizing Subordinate Bonds and pledging moneys in the Surplus Account to pay the Subordinate Bonds must provide expressly that that pledge is subordinate in all respects to the pledge of Net Revenues to pay the Bonds.

Section 4.06. Purposes for Which Parity Bonds and Subordinate Bonds May Be Issued

Parity Bonds may be issued for any lawful corporate purpose relating to the System including without limitation to refund Outstanding Bonds.

Subordinate Bonds may be issued for any lawful corporate purpose of the Commission.

Section 4.07. Accession of Subordinate Bonds to Parity Status

In proceedings authorizing Subordinate Bonds, the Commission may provide for the accession of such Subordinate Bonds to the status of Parity Bonds when there shall have been provided the certificates meeting the requirements of Sections 4.01 and 4.04 and in addition the following requirements:

- (a) an Officer's Certificate that all payments into the various Accounts provided in Article Three are current as of the date of accession;
- (b) an Officer's Certificate that the Interest Account, the Principal Account and the Debt Service Reserve Account contain the respective amounts which would have been required to be deposited or accumulated in such Accounts on the date of accession if the Subordinate Bonds had originally been issued as Parity Bonds, such amounts to be shown in said certificate; and
- (c) an unqualified opinion of Independent bond counsel of national standing that the bonds so subject to accession are valid and binding special obligations of the Commission and entitled to accession under the provisions of the Ordinance.

ARTICLE FIVE

COVENANTS AND RELATED MATTERS

Section 5.01. In General

In the Ordinance, the Commission makes the following covenants, in addition to all other covenants in the Ordinance, with each and every successive Holder of any of the Outstanding Bonds so long as any of the Bonds remains Outstanding.

Section 5.02. Maintenance

The Commission will maintain the System in good repair and working order, will operate the same efficiently and faithfully, and will punctually perform all duties with respect to the System required by the Constitution and laws of the State of Illinois.

Section 5.03. Rate Covenant

The Commission will establish and will maintain at all times reasonable fees, charges and rates for the use and service of the System and will provide for the collection and the segregation and application of the Revenues of the System sufficient at all times to pay or provide for (a) Operation and Maintenance Costs, (b) an adequate depreciation fund, (c) the principal of and interest on all bonds which by their terms are payable solely from the Water Fund, as provided in Division 135, including, in the case of the Bonds, an amount not less than 1.10 times the Current Debt Service Requirement for the forthcoming Fiscal Year, (d) compliance with the covenants of the Ordinance, including making all of the required deposits in and credits to all of the Funds and Accounts established in the Ordinance, and (e) carrying out the corporate purposes and powers of the Commission.

Section 5.04. Report on Any Insufficiency in the Interest or Principal Accounts

Whenever credits to the Interest Account and Principal Account have been insufficient to meet the Current Debt Service Requirement, resulting in the transfer and use of funds from some other Account to pay principal of or interest on Outstanding Bonds, the Commission will have prepared promptly a report by an Independent engineer, Independent certified public accountant, Independent economic research consultant, Independent utility financial consultant or Independent financial consultant of nationally recognized experience and standing employed for that purpose. Such report must include a statement of causes of the insufficiency of Revenues to meet Account requirements and describe possible actions or alternatives available to increase Revenues. The Commission shall send a copy of such report, when completed, to any Bondholder requesting such report along with a letter indicating what action the Commission has taken in response to such report.

Section 5.05. Insurance, Damage, Destruction and Condemnation

The Commission will carry insurance and/or maintain self-insurance with respect to the System of the kinds and in the amounts which are customarily carried or maintained by Persons operating similar enterprise systems including, without limiting the generality of the foregoing, fire and other casualty and public liability insurance or protection. All moneys received for loss under the insurance policies or on deposit as self-insurance reserve funds shall be used in making good the loss or damage in respect of which they were paid, except to the extent the property damaged or destroyed is no longer useful to or profitable in the operation of the System, whether by repairing the property damaged and/or replacing the property destroyed. Provision for making good such loss or damage or replacing the property destroyed shall be made within a reasonable time from the date of loss. The proceeds derived from any and all policies or available

from self-insurance reserves for public liability losses shall be used in paying or reimbursing any accounts from which payments for settlements, expenses, and judgments were made or advanced.

With respect to risks as to which the Commission self-insures, the Commission will obtain a report not less often than biannually from an Independent insurance consultant as to the recommended amount of self-insurance reserves and shall provide for the funding of reserves in said amount over a reasonable period of time in a sub-account to be established in the Surplus Account.

Proceeds received from payment for property condemned or sold under threat of condemnation shall be applied to replace the property, except to the extent such replacement is not useful to or profitable in the operation of the System.

The Commission shall apply proceeds of insurance and available, applicable self-insurance reserves or condemnation awards which are not used to repair or replace property in the following ways. *First*, it shall deposit an amount to the credit of the Debt Service Reserve Account so that there is on deposit to the credit of that Account the Debt Service Reserve Account Requirement. *Second*, it shall deposit an amount to the credit of the Depreciation, Improvement and Extension Account so that there is on deposit to the credit of that Account the Depreciation, Improvement and Extension Account Maximum Requirement. *Then*, the Commission shall deposit all remaining amounts to the Special Redemption Fund, except in the following case. The Commission may determine that all or part of the amount otherwise to be deposited into the Special Redemption Fund may better be applied to other lawful corporate purposes of the Commission. Such amount may then be applied to such other purposes if the Commission obtains the certificate or report of an Independent engineer to the effect that (a) the Commission is correct in its determination not to use such proceeds, reserves or awards to repair or replace property damaged or lost and also that (b) Net Revenues derived from water sales will be adequate to meet the rate covenant for the Bonds then Outstanding based upon a water rate or rates and other fees or charges then imposed which are not unreasonable or excessive in comparison with those of similar water distribution systems.

To the extent reasonably available, the Commission will obtain a fidelity bond or surety bond covering any officer or employee of the Commission who has custody of funds of the Commission in an amount not less than the amount of moneys coming into the custody of such person in any one month.

Section 5.06. Reimbursement from Third Parties

Any moneys received from a third party for damages to the System must be deposited in or credited to the Fund or Account out of which moneys have been or will be expended to repair such damages.

Section 5.07. No Sale, Lease or Encumbrance

The Commission will not sell, lease, loan, mortgage, or in any manner dispose of or encumber the System or the Revenues (subject to the reserved right of the Commission to issue additional obligations as provided in the Ordinance) or any improvements and extensions to the System while any Bonds remain Outstanding, *provided*, that this covenant shall not prevent the Commission from disposing of any property which in the judgment of the Commissioners is no longer useful or profitable in the operation of the System nor essential to its continued operation. The proceeds from the sale of any property shall be credited to the Depreciation, Improvement and Extension Account.

Section 5.08. Books, Records and Accounts; Credits Required To Be in Cash

The Commission will keep an accurate record of the total cost of the System, of the Revenues and other funds collected, and of the application of such Revenues and other funds. Such records shall be open at all reasonable times to the inspection of any Bondholder or the agents and representatives of any Bondholder. The Commission further covenants that not later than 120 days after the close of each Fiscal Year,

it will cause an audit to be made of its books and accounts relating to the System by an Independent certified public accountant. Such audit shall include, without limiting its scope, each of the following:

- (a) an income and expenses statement;
- (b) all deposits to the credit of and withdrawals from each fund or account created under the provisions of the Ordinance;
- (c) the details of all Bonds issued, paid, purchased or redeemed;
- (d) a balance sheet as of the end of each such year;
- (e) revisions (if any) in fees, rates and other charges;
- (f) the amounts on deposit at the end of each such Fiscal Year to the credit of each Fund or Account and showing the details of any investments of amounts on deposit in each Fund or Account;
- (g) a list of all the insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, and the expiration date of the policy; and
- (h) the accountant's comments as to the Commission's internal accounting controls and as to compliance with the Ordinance.

Regardless of what accounting method is used by the Commission, the Quarterly credits to the Principal Account, the Interest Account, the Debt Service Reserve Account, and the Depreciation, Improvement and Extension Account shall be in cash, and the moneys so credited shall be held separate and apart in cash and Permitted Investments.

Within 30 days after receipt of the audit by the Commission, such audit shall be mailed to all Bondholders who have filed their names and addresses with the Commission for such purpose. The Commission further covenants that it will cause any additional reports or audits relating to the System to be made as required by law and that, as often as may be reasonably requested, it will furnish to the Holder of any Bond such other information concerning the System or its operation as any of them may reasonably request. The cost of such reports and audits shall be treated as a part of Operation and Maintenance Costs of the System.

Section 5.09. Application of Proceeds

The Commission will apply Bond proceeds with due diligence to the projects or purposes for which Bonds were issued.

Section 5.10. Operations, Rules and Regulations

The Commission will (a) establish and enforce reasonable rules and regulations governing the use and operation of the System, (b) at all times maintain the System in good repair and sound operating condition, (c) make or cause to be made all necessary repairs, renewals and replacements, and (d) observe and perform all of the terms and conditions contained in applicable law and in the Ordinance.

Section 5.11. Other Obligations

The Commission will not issue any bonds, limited obligations or other evidences of indebtedness, except pursuant to the provisions of the Ordinance, secured by a pledge of or claim upon the all

or any part of the System or all or any part of the Revenues. The Commission will not create or suffer to be created any lien or charge upon the System or any part of the System or upon the Revenues except the lien and charge of the Bonds secured by the Ordinance upon such Revenues, or other bonds that may be issued pursuant to the provisions of the Ordinance. From the Revenues or other available funds, the Commission will pay or cause to be discharged, or will make adequate provisions to satisfy and discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the System or upon the Revenues; *provided*, that nothing in this Section shall require the Commission to pay or cause to be discharged, or make provision for, any such lien or charge so long as its validity is being contested in good faith and by appropriate legal proceedings which stay its enforcement.

Section 5.12. Existence of Commission

The Commission will maintain its corporate identity and will make no attempt to cause its corporate existence to be abolished or its powers and authority to be diminished in a manner that adversely affects the security of the Bonds.

Section 5.13. No Loss of Pledge of or Lien on Revenues

The Commission will not do, or omit to do, or suffer to be done or omitted to be done, any matter or thing by which the pledge of or lien of the Bonds on all or any part of the Revenues might or could be lost or impaired.

Section 5.14. Payments to Commission Must be in Money

The Commission will require all payments to be made to the Commission as charges for the System to be made in lawful money of the United States of America and will not accept as payment any of the Bonds, any other obligation or security or any “in kind” payment.

Section 5.15. Recordation of Instruments

The Commission will cause to be made all filings of the Ordinance, or amendments or supplements, or other documents or instruments necessary or advisable to perfect and preserve the rights of the Bondholders.

Section 5.16. List of Bondholders

The Bond Registrar for each series of Outstanding Bonds will keep on file at its designated corporate trust office a list of names and addresses of the last known Holders of all Bonds of such series. Any Bondholder may request that his or her name and address be placed on that list by filing a written request with the Commission or with the applicable Bond Registrar, which request shall include a statement of the principal amount of Bonds held by such Holder and the numbers and CUSIP numbers of such Bonds. At reasonable times and under reasonable regulations established by the applicable Bond Registrar, the list may be inspected and copied by the Commission but otherwise, to the fullest extent permitted by law, shall be kept confidential.

Section 5.17. Provisions a Contract

The provisions of the Ordinance constitute a contract between the Commission and the Holders from time to time of the Bonds.

Section 5.18. No Free Service

The Commission will not furnish water from the System free of charge.

Section 5.19. Enforcement of Rates, Fees, Charges and Connections

The Commission will compel the prompt payment of rates, fees, charges and penalties imposed for services rendered or water supplied under the Member Contract and all Customer Contracts and, to that end, will enforce all of the provisions of any ordinance, resolution or contract of the Commission having to do with use of water, connections, rates, fees, charges or penalties and all of the rights and remedies permitted to the Commission under law.

Section 5.20. The Member Contract and the Evanston Contract

The Commission (a) will fulfill every covenant, condition and requirement of the Evanston Contract and the Member Contract, (b) will maintain those contracts as enforceable, (c) will not alter or amend those contracts in any manner except as provided in Article Eight, and (d) will enforce those contracts according to their tenor for the benefit and security of the Bondholders. This covenant is made solely for the benefit of the Bondholders and not for the benefit of the City of Evanston, Illinois, the Members, or any Customer.

Section 5.21. Statement as to Compliance

Upon a currently made request of any Bondholder or Holders holding more than \$1,000,000 of Bonds, the Commission will cause to be prepared and filed in its records and mailed to such Bondholder, annually, within 120 days after the end of a Fiscal Year with respect to which the request was made, an Officer's Certificate stating, as to each signer, that:

- (a) a review of the activities of the Commission during such year and of performance under the Ordinance has been made under his or her supervision and,
- (b) to the best of his or her knowledge, based on such review, the Commission has fulfilled all its obligations under the Ordinance throughout such year or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him or her and its nature and status.

Section 5.22. Moneys Held by Paying Agents; Unclaimed Moneys

Each Bond Registrar which undertakes to act as Paying Agent agrees, and the Commission will cause each Paying Agent other than a Bond Registrar to execute and deliver an instrument in which each such Paying Agent will agree, subject to the provisions of this Section, that such Paying Agent will:

- (a) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Bonds in trust for the benefit of the Holders of such Bonds until such sums shall be paid to the Holders or otherwise disposed of as provided in the Ordinance, and
- (b) at any time during the continuance of any default in the payment of principal of or premium or interest on the Bonds, upon the written request of the Commission, forthwith pay to the Commission or its agent all sums so held in trust by such Paying Agent.

The Commission may at any time, for the purpose of obtaining the satisfaction and discharge of the Ordinance or for any other proper purpose under the Ordinance, pay, or by Officer's Certificate direct any Paying Agent to pay, to any Person, including the Commission, all money held in trust by such Paying Agent; and, upon such payment by any Paying Agent, such Paying Agent shall be released from all further liability with respect to such money.

Failure of any Paying Agent to make payment on any Bonds which are no longer “Outstanding” under the definition of the Ordinance for which moneys sufficient to fully pay the same are on deposit with proper Paying Agents shall be a risk of loss of the Bondholders.

Any money deposited with any Paying Agent for the payment of the principal of or premium or interest on any Bond and remaining unclaimed for 6 years after such principal or premium or interest has become due and payable shall be paid to the Commission, and the Holder of such Bond shall thereafter, as an unsecured general creditor of the System, look only to the Commission for payment, and all liability of such Paying Agent with respect to such trust money, and all liability of the Commission as trustee or obligation of the Commission to hold such money segregated shall thereupon cease; *provided*, that such Paying Agent before being required to make any such payment to the Commission, may at the expense of the Commission cause to be published once, in (a) a daily newspaper of general circulation in the City of Chicago, Illinois, and (b) *The Bond Buyer*, published in the City of New York, New York, or, if such newspaper ceases to be published, then a financial newspaper of general circulation in the City of New York, New York, notice that such money remains unclaimed and that, after a date specified in the notice, which shall not be less than 30 days from the date of the later of such publications, any unclaimed balance of such money then remaining will be paid to the Commission.

Section 5.23. Budget Covenant

Not later than the beginning of each Fiscal Year, the Commission will adopt for such Fiscal Year a budget prepared in accordance with the provisions of, and in the manner contemplated by, the Member Contract. Each such budget shall set forth in reasonable detail the estimated Revenues of the System and the estimated Operation and Maintenance Costs of the System by Quarter for such Fiscal Year and shall include estimated amounts to be deposited in each Quarter of such Fiscal Year into the Water Fund and each of its Accounts, and the requirements, if any, for the amounts estimated to be expended from such Accounts. The budget shall also set forth sufficient detail with respect to such Revenues, Operation and Maintenance Costs, and other expenditures and such deposits as shall be necessary or appropriate so as to comply with the Evanston Contract and Member Contract and any Customer Contracts and may set forth such further information or material as the Commission may determine. Following the end of each Quarter, the Commission will review its estimates set forth in the budget for such Fiscal Year and, if the estimates do not substantially correspond (within a range of plus 15% or minus 5%) with actual Revenues, Operation and Maintenance Costs, or other requirements, the Commission will adopt an amended budget and schedule of fees, charges and rates for the remainder of such Fiscal Year. The Commission also may at any time adopt an amended budget for the remainder of the then current Fiscal Year in accordance with the provisions of the Member Contract.

Section 5.24. Certain Insurance Policy Permitted Covenants

If the Commission chooses to obtain municipal bond insurance on any series of Bonds or to use a Reserve Fund Insurance Policy, it may make reasonable covenants and agreements with the issuer of the policy including, but not limited to, covenants and agreements related to the following:

- (a) the amount of the Debt Service Reserve Requirement and the rate of funding or reimbursement, but not less than the requirements provided in the Ordinance;
- (b) the use of cash or available investments on deposit in the Debt Service Reserve Account to pay debt service before or after or at such ratio of disbursement with amounts drawn under a Reserve Fund Insurance Policy;
- (c) the application and priority of amounts deposited to the credit of the Debt Service Reserve Account after a draw under a Reserve Fund Insurance Policy to reimburse the issuer of a policy, or to reimburse or replenish cash in the Debt Service Reserve Account;

- (d) the obligation of the Commission to charge rates sufficient for the Commission to meet its obligations under a policy;
- (e) reasonable advance notice of the need for a draw under the policy and to maintain records;
- (f) the status of the issuer of the policy as a third party beneficiary of the rights granted under the Ordinance and its ability to enforce the provisions of the Ordinance to the extent such rights may in fact benefit such issuer;
- (g) the amendment of the substantive provisions of the Ordinance as subject to the approval or consent of such issuer, but on the condition that approval or consent not be unreasonably withheld; and
- (h) limitations on the exercise of the rights of optional redemption.

Section 5.25. Covenants as to Duties of Bond Registrar

If requested by a Bond Registrar, the Chairman and Clerk of the Commission are authorized to execute and attest such Bond Registrar's standard form of agreement between the Commission and such Bond Registrar with respect to the obligations and duties of such Bond Registrar. Subject to modification by the terms of any such agreement, each Bond Registrar agrees as follows:

- (a) to act as bond registrar, authenticating agent, paying agent, if so appointed, and transfer agent as provided in the Ordinance;
- (b) to maintain a list of Bondholders as set forth in the Ordinance and to furnish such list to the Commission as provided in Section 5.16, but otherwise to keep such list confidential to the fullest extent permitted by law;
- (c) to cancel and/or destroy Bonds which have been redeemed, paid at maturity, or submitted for transfer;
- (d) to furnish to the Commission at least annually a certificate with respect to Bonds cancelled and/or destroyed; and
- (e) to furnish to the Commission at least annually an audit confirmation of Bonds paid, Bonds outstanding, and payments made with respect to interest on the Bonds.

Section 5.26. Covenants with Respect to and of Bond Registrars

As to each series of Bonds subject to authentication, the Commission covenants with respect to the applicable Bond Registrar, and the Bond Registrar further covenants and agrees, as follows:

- (a) The Commission will at all times retain a Bond Registrar with respect to such series of Bonds. The Commission will maintain at the designated office(s) of such Bond Registrar a place or places where Bonds may be presented for payment or registration of transfer or exchange. The Commission will require that the Bond Registrar properly maintain the Bond Register and perform the other duties and obligations imposed upon it by the Ordinance in a manner consistent with the standards, customs and practices of the municipal securities industry.
- (b) A Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by the Ordinance with respect to a series of Bonds by executing the certificate of authentication on any Bond of such series. By such execution, the Bond Registrar will be deemed to have certified to the Commission that it has all requisite power to accept and has accepted such duties and obligations not only with respect to the Bond

so authenticated but with respect to all of the Bonds of such series. A Bond Registrar will be the agent of the Commission and will not be liable in connection with the performance of its duties except for its own negligence or willful wrongdoing. Any Bond Registrar will, however, be responsible for any representation in its certificate of authentication on Bonds.

(c) The Commission may remove a Bond Registrar at any time. If at any time (i) a Bond Registrar resigns, is removed, becomes incapable of acting, or is adjudicated a bankrupt or insolvent, or (ii) a receiver, liquidator, or conservator of a Bond Registrar or of its property is appointed, or (iii) any public officer takes charge or control of such Bond Registrar or of its property or affairs, the Commission will thereupon appoint a successor Bond Registrar. The Commission will mail notice of any such appointment made by it to each Holder of any Bond within twenty days after such appointment. Any Bond Registrar appointed under the provisions of this Section shall be a bank, trust company, or national banking association maintaining its principal corporate trust office in The County of Cook, Illinois, or the City of New York, New York, and Borough of Manhattan, and having capital and surplus and undivided profits in excess of \$50,000,000.

Section 5.27. Extension of Time to Pay Bonds

The Commission will not directly or indirectly extend or agree to extend the Maturity Date of any Bonds or the Stated Maturity of Interest on any Bonds. If (a) the Commission extends the Maturity Date of any Bonds or the Stated Maturity of interest on any Bonds and (b) an Event of Default occurs and is continuing, those Bonds or the interest due on those Bonds, as applicable, will not be entitled to the benefits and security of the Ordinance or to any payment out of the Funds and Accounts pledged in Section 3.17 until principal of an interest on all other Outstanding Bonds has been paid in full. Subordinate Bonds will continue to be subordinate in all respects to all Outstanding Bonds notwithstanding the application of the foregoing sentence. This Section does not limit the right of the Commission to issue refunding Bonds or Variable Rate Bonds subject to tender rights and obligations, and the issuance of such Bonds will not be considered an extension of the Maturity Date of any Bonds or the Stated Maturity of interest on any Bonds within the meaning of this Section.

ARTICLE SIX

EVENTS OF DEFAULT AND REMEDIES

Section 6.01. Events of Default

The term “**Event of Default**” means any one of the following events (whatever the reason for such event and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest upon any Bond when such interest becomes due and payable;
- (b) default in the payment of the principal of (or premium, if any, on) any Bond at its Maturity;
- (c) default in the performance, or breach, of any covenant or warranty of the Commission in the Ordinance (other than a covenant or warranty a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Commission by the Holders of at least 10% in principal amount of the Outstanding Bonds a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Ordinance;

(d) the entry of a decree or order by a court having jurisdiction in the premises (i) for relief in respect of the Commission or (ii) adjudging the Commission a bankrupt or insolvent, or (iii) approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of the Commission, under the Federal Bankruptcy Act or any other applicable Federal or State law, or (iv) appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for the Commission or any substantial part of its property, or (v) ordering the winding up or liquidation of its affairs, if any such decree or order continues and remains unstayed and in effect for a period of 60 consecutive days;

(e) (i) the commencement by the Commission of a voluntary case, or (ii) the institution by the Commission of proceedings to be adjudicated a bankrupt or insolvent, or (iii) the consent by the Commission to the institution of bankruptcy or insolvency proceedings against it, or (iv) the filing by the Commission of a petition or answer or consent seeking reorganization, arrangement or relief under the Federal Bankruptcy Act or any other applicable Federal or State law, or (v) the consent or acquiescence by the Commission to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Commission or any substantial part of its property, or (vi) the making by the Commission of an assignment for the benefit of creditors, or (vii) the admission by the Commission in writing of its inability or its failure to pay its debts generally as they become due, or (viii) the taking of action by the Commission in furtherance of any of the foregoing;

(f) judgment by a court of competent jurisdiction of default by the Commission under the terms of the Evanston Contract or any Member Contract or Customer Contract except if, and only during the period, any such judgment is stayed;

(g) default by the Commission in the performance of any obligation in respect of the Principal Account, Interest Account, Debt Service Reserve Account or Special Redemption Fund and continuance of such default for a period of 60 days; or

(h) default in the payment of principal of or interest on Subordinate Bonds or declaration of an event of default with respect to Subordinate Bonds, the occurrence of an event of default under a Reserve Fund Insurance Policy, or default in respect of any other obligation for money owed by the Commission in an amount in excess of \$100,000, if the Commission does not contest such default in a manner so as to stay any enforcement of remedies related to such default.

Section 6.02. Remedies

The Holder of any Bond shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and interest on such Bond out of the Net Revenues and the other funds and Accounts held for payment of the Bonds on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment. Such rights may not be impaired without the consent of such Holder.

Any Holder of a Bond, in any civil action, mandamus or other proceeding, may enforce and compel performance of all duties required by Division 135 to be performed by the Commission or by any Member, including the making of rates and charges, the collecting of sufficient revenue, and the application of revenue, as provided in Division 135.

Section 6.03. Application of Moneys Collected

All moneys collected pursuant to action of Bondholders pursuing their remedies under the Ordinance shall be applied in the manner as required in Article Three.

If such money is distributed on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation on the Bonds of the payment if only partially paid, and upon

surrender of such Bonds if fully paid, then all such moneys shall be applied in the following order unless the principal of all Outstanding Bonds shall have become due and payable:

(a) to the payment to the Persons entitled to them of all installments of interest then due, in the order of the Stated Maturity of such installments and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled to them, without any discrimination or preference;

(b) to the payment to the Persons entitled to them of the unpaid principal of any Outstanding Bonds which shall have become due at Maturity, in the order of their due dates, with interest upon such Outstanding Bonds from their respective dates of Maturity and, if the amount available is not sufficient to pay in full Outstanding Bonds due on any particular date, together with such interest, then to the payment *first* of such interest, ratably according to the amount of such interest due on such date, and *second* to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled to them without any discrimination or preference;

(c) to the payment of the redemption premium, if any, on and the principal of any Outstanding Bonds called for optional or mandatory redemption pursuant to the provisions of the Ordinance; and

(d) to the payment of amounts due under a Reserve Fund Insurance Policy.

If the principal of all Outstanding Bonds becomes due and payable, then all such money shall be applied to the payment of the principal and interest then due and unpaid upon Outstanding Bonds, with interest as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled to them without any discrimination or preference and, after payment in full of all such amounts, to the payment of amounts due under a Reserve Fund Insurance Policy.

Section 6.04. Restoration of Positions

If any Bondholder has instituted any proceedings to enforce any right or remedy under the Ordinance and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to such Bondholder, then and in every such case the Commission and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions under the Ordinance, and thereafter all rights and remedies of the Bondholders shall continue as though no such proceeding had been instituted.

Section 6.05. Rights and Remedies Cumulative

No right or remedy conferred upon or reserved to the Bondholders in the Ordinance is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given under the Ordinance or now or subsequently existing at law or in equity or otherwise. The assertion or employment of any right or remedy under the Ordinance, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.06. Delay or Omission Not Waiver

No delay or omission of any Holder of any Bond to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence in it. Every right and remedy given by this Article or by law to the Bondholders

may be exercised from time to time, and as often as may be deemed expedient, by the Bondholders, as the case may be.

Section 6.07. Waiver of Stay and Extension Laws

To the fullest extent that it may lawfully so agree, the Commission will not at any time insist upon, plead, claim or take the benefit or advantage of any stay or extension law now or subsequently in force, in order to prevent or hinder the enforcement of the Ordinance, and the Commission for itself and all who may claim under it, so far as it or they now or subsequently may lawfully do so, waives the benefit of all such laws.

If any law in this Section referred to and now in force, of which the Commission or its successor or successors might take advantage despite this Section, shall subsequently be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract contained in the Ordinance or to preclude the application of this Section.

ARTICLE SEVEN

DEFEASANCE

Section 7.01. Payment of Indebtedness; Satisfaction and Discharge of Indenture

Whenever all Bonds theretofore authenticated and delivered have been cancelled, excluding, however:

(a) Bonds for the payment of which money has been deposited in trust with a proper Paying Agent (other than the Commission) or discharged from such trust as unclaimed moneys as provided in Section 5.22;

(b) Bonds alleged to have been destroyed, lost or stolen which have been replaced or paid as provided in Section 2.11, except for any such Bond which, prior to the satisfaction and discharge of the Ordinance, has been presented with a claim of ownership and enforceability by its Holder and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction; and

(c) Bonds the provision for payment of which has been made as follows:

(i) the Commission has entered into a trust or escrow agreement with a bank or trust company as trustee or escrow agent, which bank or trust company shall be located in The County of Cook, Illinois, or the City of New York, New York, and Borough of Manhattan, and in all cases, shall have capital and surplus and undivided profits in excess of \$50,000,000 and shall be experienced in the administration of trust or escrow agreements of the kind required by the Ordinance;

(ii) such agreement provides for the deposit of funds or direct obligations of the United States of America, or both, for the express purpose and sufficient to pay all interest when due at its Stated Maturity (to the Maturity of the attendant Bond) on such Bonds and all principal when due or Redemption Price payable at Maturity (including Maturity pursuant to mandatory or optional redemption) of such Bonds;

(iii) such agreement provides adequately for the notice of redemption of any Bonds required to be redeemed under its terms in accordance with the terms appropriate to such Bonds; and

(iv) opinions are obtained with respect to such agreement and deposit from an Independent certified public accountant as to the sufficiency required in clause (ii) and from nationally recognized bond counsel that the provisions of the Ordinance pertaining to such agreement have been

met and that, if any of the Bonds to be paid under such agreement were issued on the basis that interest thereon be tax-exempt, that such deposit or agreement does not adversely affect such tax-exemption;

then the Ordinance and the lien, rights and interests created by the Ordinance shall cease, determine and become null and void (except as to any surviving rights of transfer or exchange of Bonds provided for in the Ordinance or in such Bonds).

Section 7.02. Application of Deposited Money

Moneys deposited pursuant to Section 7.01 shall constitute a separate trust fund for the benefit of the Persons entitled to such moneys. Subject to the provisions of Section 5.22, such moneys shall be applied to the payment (either directly or through any Paying Agent), to the Persons entitled to payment, of the principal (and premium, if any) and interest for whose payment such moneys have been deposited.

ARTICLE EIGHT

AMENDATORY OR SUPPLEMENTAL ORDINANCES AND AMENDMENTS OR SUPPLEMENTS TO EVANSTON AND MEMBER CONTRACT

Section 8.01. Amendatory or Supplemental Ordinances without Consent of Bondholders

Without the consent of the Holders of any Bonds, the Commission may adopt one or more ordinances amendatory or supplemental to the Ordinance for any of the following purposes:

- (a) to correct or amplify the description of the System and the Revenues subject to the lien of the Ordinance, or to subject additional security to the lien of the Ordinance;
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, as set forth in the Ordinance, additional conditions, limitations and restrictions thereafter to be observed;
- (c) to create any series of Bonds (other than the Series 2015 Bonds) by a Parity Series Ordinance and make such other provisions as provided in Section 2.06;
- (d) to modify, supplement or eliminate any of the terms of the Ordinance; *provided*, that such supplemental or amendatory ordinance shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any series created prior to the execution of such supplemental or amendatory ordinance;
- (e) to add to the covenants of the Commission for the benefit of the Holders of all or any series of Bonds;
- (f) to modify the address or addresses to which any request, demand, authorization, direction, notice, consent, waiver or Act of Bondholders or other document provided or permitted by the Ordinance to be made upon, given or furnished to, or filed with the Commission by any Bondholder are to be sent; or
- (g) to cure any ambiguity, to correct or supplement any provision in the Ordinance which may be inconsistent with any other provision in the Ordinance or to make any other provisions, with respect to matters or questions arising under the Ordinance, which shall not be inconsistent with the provisions of the Ordinance; *provided*, that such action shall not adversely affect the interests of the Holders of the Bonds.

Section 8.02. Amendatory or Supplemental Ordinances with Consent of Bondholders

With the consent of the Holders of not less than a majority in principal amount of all Bonds then Outstanding affected by such supplemental or amendatory ordinance, by Act of such Holders delivered to the Commission or its agent, the Commission may adopt an ordinance or ordinances amendatory or supplemental to the Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Ordinance or of modifying in any manner the rights of the Holders of the Bonds under the Ordinance; *provided*, that no such supplemental or amendatory ordinance shall, without the consent of the Holder of each affected Outstanding Bond:

- (a) change the Stated Maturity of the principal of, or any interest on, any Bond, or change the date or dates upon which such Bond is callable for redemption, or reduce the principal amount of any Bond or the interest on any Bond or any premium payable upon the redemption of any Bond, or change any place of payment where, or the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Bond (or, in the case of redemption, on or after the Redemption Date);
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for any such supplemental or amendatory ordinance, or the consent of whose Holders is required for any waiver provided for in the Ordinance of compliance with certain provisions of the Ordinance or certain defaults under the Ordinance and their consequences;
- (c) modify or alter the provisions of the proviso to the definition of the term “Outstanding”;
- (d) modify any of the provisions of this Section except to increase any percentage provided in this Section or to provide that certain other provisions of the Ordinance cannot be modified or waived without the consent of the Holder of each Bond affected by such modification or waiver,
- (e) modify any of the provisions of the Ordinance relating to the creation of any lien ranking prior to the lien of the Bonds expressed in the Ordinance or terminate the lien of the Ordinance on any property at any time subject to the Ordinance or deprive the Holder of any Bond of the security afforded by the lien of the Ordinance;
- (f) modify the provisions of the Ordinance or of any Bonds with respect to the registration, transfer or exchange of Bonds without the consent of all affected Holders; or
- (g) modify, in the case of Bonds of any series for which Mandatory Redemption is provided, any of the provisions of the Ordinance in such manner as to affect the rights of the Holders of such Bonds to the benefits of such Mandatory Redemption.

It is not necessary for any Act of Bondholders under this Section to approve the particular form of any proposed supplemental or amendatory ordinance, but it is sufficient if such Act shall approve the substance of any such proposed supplemental or amendatory ordinance.

Section 8.03. Effect of Supplemental or Amendatory Ordinances

Upon the adoption, execution and acceptance of any supplemental or amendatory ordinance under this Article, the Ordinance shall be modified in accordance with such supplemental or amendatory ordinance and such supplemental or amendatory ordinance shall be effective and shall form a part of the Ordinance for all purposes; and every Holder of Bonds previously or subsequently authenticated and delivered under the Ordinance shall be bound by such supplemental or amendatory ordinance.

Notice of the effectiveness of each amendatory or supplemental ordinance adopted pursuant to Section 8.01(f) and of the new address or addresses provided by such amendatory or supplemental ordinance shall be mailed to each Bondholder, first class mail, postage prepaid, sent to the Holder's last address, if any, appearing on the registration books kept by the Bond Registrar, within 30 days after the date such amendatory or supplemental ordinance becomes effective; *provided* that giving such notice is not a condition to the effectiveness of such amendatory or supplemental ordinance.

Section 8.04. Reference in Bonds to Supplemental or Amendatory Ordinances

Bonds authenticated and delivered after the execution of any supplemental or amendatory ordinance pursuant to this Article may bear a notation as to any matter provided for in such supplemental or amendatory ordinance. If the Commission so determines, new Bonds so modified as to conform to any such supplemental or amendatory ordinance may be prepared and executed by the Commission and authenticated and delivered in exchange for Outstanding Bonds.

Section 8.05. Amendments or Supplements to the Evanston and Member Contract

The Evanston Contract and the Member Contract may be amended from time to time in accordance with their terms and in the manner provided by law; *provided*, that no such amendment shall be permitted which would:

(a) materially impair or adversely affect the ability or obligation of the Members under the Member Contract to make payments to the Commission (including payments due under Paragraph 5(c) of the Member Contract) at the times, in the amounts, and with the priority required in order for the Commission timely to meet its obligations under the Ordinance, including without limitation the making of all deposits in the various Funds and Accounts; or

(b) materially impair or adversely affect the ability of the Commission or the Holders of the Bonds to enforce the terms of the Member Contract.

ARTICLE NINE

FORM, TERMS AND ISSUE OF THE SERIES 2015 BONDS

Section 9.09. Account Requirements

The account requirements expressly established for the Series 2015 Bonds are as follows:

(a) [The Mandatory Redemption Requirement for the Series 2015 Term Bonds is that amount sufficient to provide for the Mandatory Redemption of the Series 2015 Term Bonds for the years and in the principal amounts set forth in the Bond Ordinance. The Mandatory Redemption Requirement for any year may be met by purchase of Series 2015 Term Bonds pursuant to tender offer or in the open market with money to the credit of the Principal Account as provided in Section 3.06.]

(b) The Debt Service Reserve Account Quarterly Requirement while any of the Series 2015 Bonds are Outstanding shall be not less than an amount determined as follows:

A. If funds in the Debt Service Reserve Account have been drawn upon and used to pay principal of or interest or redemption premium on Bonds and the credit balance of the Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement, then the amount so drawn and used shall be restored by crediting all Revenues available at each Accounting (after having made the required credits to the Operation and Maintenance Account, the Interest Account and the Principal Account) until the credit

balance of the Debt Eservice Reserve Account equals the Debt Service Reserve Account Requirement, unless the Commission shall have passed a Commission Resolution stating that, in the exercise of its reasonable discretion, it has determined that an amount of Revenues as stated in such resolution is required for credit to the Depreciation, Improvement and Extension Account for necessary expenditures from said Account, in which event such amount of Revenues shall not be required to be credited to the Debt Service Reserve Account; *provided*, that in no event shall such Quarterly Requirement be less than \$300,000 in the Quarters beginning May 1 and August 1 of each Fiscal Year and \$200,000 in the Quarters beginning November 1 and February 1 of each Fiscal Year.

B. If the credit balance of the Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement for any other reason than that stated in paragraph (A.), then a deficiency (the “**Deficiency**”) shall exist in the amount of the difference between such credit balance and the Debt Service Reserve Requirement at the time such Deficiency occurs. Each Deficiency shall be made up by crediting to the Debt Service Reserve Account (until such time as the Deficiency is eliminated) the greater of the following amounts:

(i) Six percent (6%) of each such Deficiency in the Quarters beginning May 1 and August 1 of each Fiscal Year and four percent (4%) of each such Deficiency in the Quarters beginning November 1 and February 1 of each Fiscal Year; or

(ii) \$300,000 in the Quarters beginning May 1 and August 1 of each Fiscal Year and \$200,000 in the Quarters beginning November 1 and February 1 of each Fiscal Year.

(c) The Debt Service Reserve Account Requirement while any of the Series 2015 Bonds are Outstanding shall be not less than Maximum Annual Debt Service.

(d) Prior to _____ 1, 20__, and except as otherwise provided in subsection (f) below, the Depreciation, Improvement and Extension Account Quarterly Requirement while any of the Series 2015 Bonds are Outstanding shall be not less than \$120,000 in the Quarters beginning May 1 and August 1 of each Fiscal Year and \$80,000 in the Quarters beginning November 1 and February 1 of each Fiscal Year.

(e) Beginning _____ 1, 20__, and except as otherwise provided in subsection (f) below, the Depreciation, Improvement and Extension Account Quarterly Requirement while any of the Series 2015 Bonds are Outstanding shall be not less than \$300,000 in the Quarters beginning May 1 and August 1 of each Fiscal Year and \$200,000 in the Quarters beginning November 1 and February 1 of each Fiscal Year.

(f) The Depreciation, Improvement and Extension Account Maximum Requirement while any of the Series 2015 Bonds are Outstanding shall be not less than \$1,000,000. The Depreciation, Improvement and Extension Account Maximum Requirement may be increased above or decreased to not less than \$1,000,000 from time to time in the sole discretion of the Commission by action taken pursuant to Section 8.01 of the Ordinance. While any of the Series 2015 Bonds are Outstanding, if the credit balance of the Depreciation, Improvement and Extension Account is equal to or greater than Depreciation, Improvement and Extension Account Maximum Requirement, the Depreciation, Improvement and Extension Account Quarterly Requirement shall equal zero until such time as the amount in the Depreciation, Improvement and Extension Account is less than Depreciation, Improvement and Extension Account Maximum Requirement.

Section 9.10. Tax Covenants Relating to the Series 2015 Bonds

(a) In the Bond Ordinance, the Commission covenanted that it will comply with all provisions of the Code and Regulations which in each case, if not complied with by the Commission, would cause the interest on the Series 2015 Bonds not to be Tax-Exempt.

(b) The Commission further covenanted that it will (i) take all actions which are necessary to be taken (and avoid any actions which it is necessary to avoid being taken) so that interest on the Series 2015 Bonds would not be or become included in gross income for federal income tax purposes under existing law including, without limitation, the Code and Regulations; (ii) 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 Series 2015 Bonds would not be or become included in gross income for federal income tax purposes under the federal income tax laws as in effect from time to time; and (iii) take no action in the investment of the proceeds of the Series 2015 Bonds, the Water Fund and the Accounts in it, the Special Redemption Fund, the Series 2015 Expense Fund, the Series 2015 Project Fund, or any other fund or account of the Commission which would result in making interest on the Series 2015 Bonds subject to federal income taxes by reason of causing the Series 2015 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Arbitrage Regulations.

(c) In furtherance of the foregoing provisions, but without limiting their generality, the Commission agreed in the Bond Ordinance:

(i) through its officers, to make such further specific covenants, certifications and representations as shall be truthful, and assurances as may be necessary or advisable;

(ii) to comply with all representations, covenants and assurances contained in certificates or agreements as may be prepared by counsel approving the Series 2015 Bonds;

(iii) to consult with such counsel and to comply with such advice as may be given;

(iv) to file in a timely manner such forms, statements and supporting documents as may be required; and

(v) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Commission in such compliance.

(d) In the Bond Ordinance, the Commission represented and certified as follows with respect to the Series 2015 Bonds not being “arbitrage bonds” under Section 148 of the Code and the Arbitrage Regulations.

(i) The Commission has not been notified of any disqualification or proposed disqualification of it by the Commissioner of the Internal Revenue Service as a bond issuer which may certify bond issues under Treasury Regulations Section 1.103-13(a)(2)(ii)(1979).

(ii) Moneys on deposit in any fund or account in connection with the Series 2015 Bonds, whether or not such moneys were derived from the proceeds of the sale of the Series 2015 Bonds or from any other source, will not be used in a manner which will cause the Series 2015 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Arbitrage Regulations, as the same presently exist or may from time to time be amended, supplemented or revised.

(iii) Proceeds of the Series 2015 Bonds will not be used, directly or indirectly, to reimburse the Commission for expenditures made prior to the date of issuance and delivery of the Series 2015 Bonds, except architectural or engineering costs and other “preliminary expenditures” (as defined in Section 1.150-2(f)(2) of the Regulations) incurred prior to commencement of the Series 2015 Project in an amount not greater than 20% of the aggregate principal amount of the Series 2015 Bonds or expenditures for which an intent to reimburse was properly declared under subsections (d) and (e) of Section 1.150-2 of the Regulations.

(iv) Except for the Interest Account, the Principal Account and the Debt Service Reserve Account in the Water Fund and the Special Redemption Fund, the Commission has not created or established and will not create or establish any bond fund, sinking fund, reserve fund or any other similar fund to provide for the payment of the Series 2015 Bonds. Under the provisions of the Ordinance, moneys from time to time on deposit in the Depreciation, Improvement and Extension Account and the Surplus Account and proceeds of the Series 2015 Bonds on deposit in the Series 2015 Project Fund after the Series 2015 Project is completed may be applied to pay principal of, redemption premium, if any, and interest on the Series 2015 Bonds in limited circumstances. The Commission reasonably expects that all of such moneys are needed for and will be applied to the purposes other than payment of principal of, redemption premium, if any, and interest on the Series 2015 Bonds for which such Accounts and Fund are being established. There is no requirement under the Ordinance or otherwise that any moneys be retained in the Depreciation, Improvement and Extension Account, the Surplus Account or the Series 2015 Project Fund to be available to pay debt service on the Bonds. There can be no assurance that any moneys will be on deposit in the Depreciation, Improvement and Extension Account, the Surplus Account or the Series 2015 Project Fund and available to pay debt service on the Series 2015 Bonds should the Commission encounter financial difficulties. Accordingly, based on the foregoing information and expectations, the Depreciation, Improvement and Extension Account, the Surplus Account and the Series 2015 Project Fund do not constitute replacement, sinking or pledged funds with respect to the Series 2015 Bonds.

(v) The Debt Service Reserve Account will be established from legally available funds of the Commission and not from original proceeds of the Series 2015 Bonds in the amount of Maximum Annual Debt Service.

(vi) Notwithstanding the foregoing specified representations and covenants, the Commission reserves the right to use or invest moneys in connection with the Series 2015 Bonds in any manner, if it shall first have received an opinion from an attorney or firm of attorneys of nationally recognized standing in matters pertaining to tax exempt bonds to the effect that use or investment of such moneys as contemplated will not result in loss of the Tax-Exempt status of interest on the Series 2015 Bonds.

(e) In the Bond Ordinance, the Commission represented and certified as follows with respect to the Series 2015 Bonds not being “private activity bonds” under Section 141 of the Code and the Private Activity Bond Regulations.

(i) Not more than five percent of the proceeds of the Series 2015 Bonds is to be used, directly or indirectly, in any trade or business carried on by any person other than a state or local governmental unit other than as a member of the general public.

(ii) The payment of more than five percent of the principal of or the interest on the Series 2015 Bonds, considered separately, will not be, directly or indirectly (i) secured by any interest in (a) property used or to be used in any activity carried on by any person other than a state or local governmental unit or (b) payments in respect of such property; or (ii) on a present value basis, derived from payments (whether or not by or to the Commission) in respect of property, or borrowed money, used or to be used in any activity carried on by any person other than a state or local government unit.

(iii) None of the proceeds of the Series 2015 Bonds is to be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit.

(iv) The Series 2015 Project and the System generally will be available for use by the general public. No user of the Project other than the Commission, the Members and the Contract Customers will use the Project on any basis other than the same basis as the general public; and no person other than the Commission, the Members and the Contract Customers will be a user of the

Project as a result of (i) ownership, (ii) actual or beneficial use pursuant to a lease or a management, service or incentive payment contract or output contract, or (iii) any other similar arrangement, whether written or oral, that confers special legal entitlements or special economic benefits.

(f) The provisions of Section 148 of the Code and the Arbitrage Regulations require a rebate of “excess arbitrage profits” to the United States of America in certain circumstances in connection with the Series 2015 Bonds. The Commission covenanted to make such rebate payments in accordance with Section 148 of the Code and the Arbitrage Regulations, if required. Investment earnings on the proceeds of sale of the Series 2015 Bonds in the Series 2015 Project Fund and amounts on deposit in the Surplus Account were appropriated in the Bond Ordinance to the purpose of paying such rebate to the extent necessary.

(g) Section 149 of the Code requires the Series 2015 Bonds to be issued and to remain in fully registered form in order for the interest on them to be and remain Tax-Exempt. In this connection, the Commission agreed that it will not take any action to permit the Series 2015 Bonds to be issued in, or converted into, bearer or coupon form.

The Commission reserved the right to use or invest proceeds of the Series 2015 Bonds or moneys on deposit in the Funds and Accounts created by this Ordinance with respect to the Series 2015 Bonds in any manner otherwise permitted by the Ordinance, notwithstanding the covenants described in this Section, *provided* it shall first have received an opinion from an attorney or a firm of attorneys of nationally recognized standing as municipal bond counsel to the effect that use or investment of such moneys as contemplated is lawful and will not result in interest on the Series 2015 Bonds losing its Tax-Exempt status.