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**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**ORDINANCE NO. 11713**

**ADOPTED APRIL 22, 2004**

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**Relating to:**

**WASTEWATER SYSTEM REVENUE BONDS**

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This Table of Contents is for convenience of reference only and is not part of this Master Bond Ordinance.

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- Exhibit A - Form of Series 2004A Bonds
- Exhibit B - Continuing Disclosure Agreement
- Exhibit C - Purchase Contract
- Exhibit D - Form of Requisition--Project Fund
- Exhibit E - Registrar and Paying Agent Agreement
- Exhibit F - Preliminary Official Statement

**ORDINANCE NO. 11713**

**A MASTER BOND ORDINANCE RELATING TO THE ISSUANCE OF WASTEWATER SYSTEM REVENUE BONDS OF THE METROPOLITAN ST. LOUIS SEWER DISTRICT; AUTHORIZING THE ISSUANCE OF \$175,000,000 PRINCIPAL AMOUNT OF WASTEWATER SYSTEM REVENUE BONDS, SERIES 2004A; PRESCRIBING THE TERMS, PROVISIONS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL BONDS AND OBLIGATIONS OF THE DISTRICT; AND AUTHORIZING CERTAIN ACTIONS AND DOCUMENTS AND PRESCRIBING OTHER MATTERS RELATING THERETO.**

1. The Metropolitan St. Louis Sewer District (the "**District**"), a body corporate, a municipal corporation and a political subdivision duly organized and existing under the Constitution and laws of the State of Missouri and the District's Charter (Plan), as amended, approved by the voters for its government (the "**Charter**"), owns and operates a revenue producing sanitary sewer system (the "**System**", as hereinafter more fully defined).

2. The District desires to make certain additions, extensions and improvements to the System and is authorized under the provisions of the Charter to issue and sell revenue bonds for the purpose of providing funds for such purpose, upon obtaining the required voter approval and provided that the principal of and interest on such revenue bonds shall be payable solely from the revenues derived from the operation of the System.

3. Pursuant to such authority, a special bond election was duly held in the District on February 3, 2004 on the following proposition:

**PROPOSITION 'Y'**

**To comply with federal and state clean water requirements, shall The Metropolitan St. Louis Sewer District (MSD) issue its sewer system revenue bonds in the amount of Five Hundred Million Dollars (\$500,000,000) for the purpose of constructing, improving, renovating, repairing, replacing and equipping new and existing MSD sewer facilities and system, including sewer disposal and treatment plants, sanitary interceptor sewers and acquisition of easements and real property related thereto, the cost of operation and maintenance of said sewer system and the principal of and interest on said revenue bonds to be payable solely from the revenues derived by MSD from the operation of its sewer system, including all future extensions and improvements thereto?**

and it was found and determined that more than a simple majority of the qualified electors of the District voting on the proposition had voted in favor of the issuance of said revenue bonds for the purpose aforesaid, the vote on said proposition having been 101,419 votes for said proposition to 47,025 votes against said proposition.

4. None of the revenue bonds so authorized have heretofore been issued, and the District proposes to issue \$175,000,000 of the revenue bonds so authorized to provide funds for said purpose.

5. The District has determined that there is a need for the construction, improvement, renovation, repair, replacement and equipping of the System, all as generally described in the report dated September 2002, prepared by the District's program planners, Sverdrup, Kwame and Metcalf & Eddy, and in accordance or substantially in accordance with plans and specifications on file from time to time with the District.

6. The District has determined that it is necessary and desirable and in the best interests of the citizens of the area served by the System for the District to make the additions, extensions and improvements to the System described above, and to finance the costs of the foregoing by issuing its revenue bonds in the aggregate principal amount of \$175,000,000.

**NOW, THEREFORE,** Be It Ordained by the Board of Trustees of The Metropolitan St. Louis Sewer District, as follows:

## ARTICLE I

### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

**Section 1.1. Definitions.** The following words and terms shall have the meanings specified below, unless the context clearly requires otherwise.

**"Accreted Value"** means, with respect to each Capital Appreciation Bond, (i) the initial principal amount of such Capital Appreciation Bond plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Capital Appreciation Bond, and (ii) with respect to any calculation on a date other than a compounding date, the amount determined pursuant to clause (i) above as of the immediately preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Capital Appreciation Bond.

**"Accumulation Payments"** shall have the meaning ascribed therefor in **Section 4.4(f)**.

**"Additional Interest"** means, for any period during which any Pledged Bonds are owned by a Credit Facility Provider pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal Principal amount of Bonds at the Bond Rate.

**"Annual Budget"** means the annual budget of the District relating to the System (which shall include all costs, obligations and expenses properly allocable to the System), as amended or supplemented in accordance with established procedures of the District, adopted or in effect for a particular Fiscal Year.

**"Attesting Officer"** means the individual presently holding the office of Secretary-Treasurer of the District and any successor who might hereafter hold such office, and any individual, body, or authority to whom or which may hereafter be delegated by law the duties, powers, authority, obligations or liabilities of such office.

**"Balloon Bonds"** means any series of Bonds 25% or more of the Principal of which (i) is due in any 12-month period or (ii) may, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the District, or otherwise paid in any 12-month period; provided that, in calculating the Principal of such Bonds due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such Principal shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

**"Balloon Date"** means any Principal Maturity Date or Put Date on which more than 25% of the Principal of related Balloon Bonds mature or are subject to mandatory redemption or could, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the District, or otherwise paid.

**"Beneficial Owner,"** with respect to the Series 2004A Bonds, shall have the meaning specified in **Section 2.11**.

**"Bond Counsel"** means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, appointed by the District.

**"Bond Ordinance"** means this Master Bond Ordinance as it may from time to time be modified, supplemented or amended by Supplemental Ordinances.

**"Bond Rate"** means the rate of interest per annum payable on specified Bonds other than Pledged Bonds.

**"Bond Register"** means the books for the registration, transfer and exchange of Bonds maintained by the Bond Registrar.

**"Bond Registrar"** means any bank or trust company designated as such by the District in the Bond Ordinance with respect to any of the Bonds. Such Bond Registrar shall perform the duties required of the Bond Registrar in the Bond Ordinance. BNY Trust Company of Missouri, St. Louis, Missouri, is hereby designated as Bond Registrar for the Bonds; provided, however, that in connection with the issuance of any SRF Bonds, the District shall appoint such separate Bond Registrar designated by the issuer of the SRF Bonds.

**"Bondholder"** means the registered owner of one or more Bonds.

**"Bonds"** means any revenue bonds authorized by and authenticated and delivered pursuant to the Bond Ordinance, including the Series 2004A Bonds, any other Senior Bonds, and any Subordinate Bonds.

**"Business Day"** means a day other than a Saturday, Sunday or holiday on which the Paying Agent, Bond Registrar or applicable Credit Facility Provider is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

**"Capital Appreciation Bonds"** means Bonds which bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

**"Charter"** means the District's Charter (Plan) approved by the voters of the City of St. Louis, Missouri and St. Louis County, Missouri on February 9, 1954 and amended on November 7, 2000, and as further amended from time to time in accordance with its terms.



**"Chief Financial Officer"** means the individual presently holding the office of Secretary-Treasurer of the District and any successor who might hereafter hold such office, and any individual, body or authority to whom or which may hereafter be delegated by law the duties, powers, authority, obligations or liabilities of such office.

**"Chief Officer"** means the individual presently holding the office of Executive Director or Acting Executive Director of the District as appointed by the Governing Body and any successor who might hereafter hold such office, and any individual, body or authority to whom or which may hereafter be delegated by law the duties, powers, authority, obligations or liabilities of such office.

**"Code"** means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

**"Commitment,"** when used with respect to Balloon Bonds, means a binding written commitment from a financial institution, surety or insurance company to refinance such Bonds on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Bonds.

**"Consultant"** means an independent engineer or utility consultant or firm of independent engineers or utility consultants experienced in the planning and management of wastewater systems and having a nationally recognized reputation for such work.

**"Continuing Disclosure Agreement"** means (i) with respect to the Series 2004A Bonds, the Disclosure Dissemination Agent Agreement dated as of May 1, 2004 between the District and Digital Assurance Certification, L.L.C., as Dissemination Agent, as amended from time to time in accordance with its terms, in substantially the form attached hereto as **Exhibit B**, and (ii) with respect to any other series of Bonds, the continuing disclosure agreement relating to such series of Bonds, as amended from time to time in accordance with its terms.

**"Costs,"** with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, renovate, repair, replace, equip, install, or otherwise develop such Project and shall include, but shall not be limited to, the following costs and expenses relating to such Project and the reimbursement to the District for any such items previously paid by the District:

- (i) the cost of all lands, real or personal properties, rights, easements, and franchises acquired;
- (ii) the cost of all machinery and equipment, financing charges, and interest prior to and during construction and for six months after completion of construction;
- (iii) the cost of the acquisition, construction, reconstruction or installation of such Project;
- (iv) the cost of engineering, architectural, development and supervisory services, fiscal agents' and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of any Projects, administrative expenses, and such other expenses as may be necessary or incident to any financing by Bonds;
- (v) the cost of placing such Project in operation;
- (vi) the cost of condemnation of property necessary for such construction and operation;

- (vii) Costs of Issuance; and
- (viii) any other costs which may be incident to such Project.

**"Costs of Issuance"** means issuance costs with respect to the Bonds, including but not limited to the following: underwriters' spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public), management fee and expenses; Credit Facility fees and Reserve Account Credit Facility fees; counsel fees (including bond counsel, underwriter's counsel, District's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the District incurred in connection with the issuance of the Bonds; rating agency fees; escrow agent and paying agent fees; accountant fees and other expenses related to issuance of the Bonds; printing costs (for the Bonds and of the preliminary and final official statement relating to the Bonds); and fees and expenses of the District incurred in connection with the issuance of the Bonds.

**"Credit Facility"** means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution which is used by the District to perform one or more of the following tasks: (i) enhancing the District's credit by assuring owners of any of the Bonds that Principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the owners of Bonds through undertaking to cause Bonds to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Series Ordinance; or (iii) remarketing any Bonds so submitted to the Credit Facility Provider (whether or not the same Credit Facility Provider is remarketing the Bonds). The term Credit Facility shall not include a Reserve Account Credit Facility.

**"Credit Facility Agreement"** means an agreement between the District and a Credit Facility Provider pursuant to which the Credit Facility Provider issues a Credit Facility and may include the promissory note or other instrument evidencing the District's obligations to a Credit Facility Provider pursuant to a Credit Facility Agreement. The term Credit Facility Agreement shall not include a Reserve Account Credit Facility Agreement.

**"Credit Facility Provider"** means any issuer of a Credit Facility then in effect for all or part of the Bonds. The term Credit Facility Provider shall not include any Reserve Account Credit Facility Provider. Whenever in the Bond Ordinance the consent of the Credit Facility Provider is required, such consent shall only be required from the Credit Facility Provider whose Credit Facility is issued with respect to the series of Bonds for which the consent is required.

**"Current Interest Bonds"** means those Bonds which are not Capital Appreciation Bonds.

**"Debt Service Requirement"** means the total Principal and interest coming due on Senior Bonds, or all Bonds, as applicable, whether at maturity or upon mandatory redemption, in any specified period; provided, however, that Debt Service Requirement with respect to SRF Bonds shall mean the net amount of Principal and interest coming due on such SRF Bonds after taking into account any so-called "SRF Subsidy" (i.e., the amount of anticipated investment earnings which will accrue on any reserve account relating to the SRF Bonds and which will reduce the debt service payments of the District with respect to such SRF Bonds). If any Bonds Outstanding or proposed to be issued shall bear interest at a Variable Rate, the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled the average of the BMA Municipal Bond Index (formerly PSA Municipal Bond Index) for the prior 5 calendar years, or any successor index

as certified by a Financial Advisor. If any Capital Appreciation Bonds are Outstanding or proposed to be issued, the total Principal and interest coming due in any specified period shall be determined, with respect to such Capital Appreciation Bonds, by the Series Ordinance of the District authorizing such Capital Appreciation Bonds. With respect to any Bonds secured by a Credit Facility, Debt Service Requirement shall include (i) any upfront or periodic commission or commitment fee obligations with respect to such Credit Facility, (ii) the outstanding amount of any Reimbursement Obligation owed to the applicable Credit Facility Provider and interest thereon, (iii) any Additional Interest owed on Pledged Bonds to a Credit Facility Provider, and (iv) any remarketing agent fees. With respect to any Hedged Bonds, the interest on such Hedged Bonds during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the District on such Hedged Bonds pursuant to their terms and (y) the amount of Hedge Payments payable by the District under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the District on the related Hedged Bonds shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts payable or receivable for any future period which are not fixed throughout the Hedge Period (i.e., which are variable), such Hedge Payments or Hedge Receipts for any period of calculation (the "**Determination Period**") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period). For the purpose of calculating the Debt Service Requirement on Balloon Bonds (1) which are subject to a Commitment or (2) which do not have a Balloon Date within 12 months from the date of calculation, such Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Advisor to be the interest rate at which the District could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Bonds and with a 20-year term); provided, however, that if the maturity of such Bonds (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Bonds to maturity (including the Commitment) and at the interest rate applicable to such Bonds. For the purpose of calculating the Debt Service Requirement on Balloon Bonds (1) which are not subject to a Commitment and (2) which have a Balloon Date within 12 months from the date of calculation, the Principal payable on such Bonds on the Balloon Date shall be calculated as if paid on the Balloon Date. The Principal of and interest on Bonds and Hedge Payments shall be excluded from the determination of Debt Service Requirement to the extent that (1) the same were or are expected to be paid with amounts on deposit on the date of calculation (or Bond proceeds to be deposited on the date of issuance of proposed Bonds) in the Project Fund, the Sinking Fund or a similar fund for Subordinate Bonds or (2) cash or non-callable Government Securities are on deposit in an irrevocable escrow or trust account in accordance with **Section 9.1** hereof (or a similar escrow or trust account for Subordinate Bonds) and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay Principal or interest and are sufficient to pay such Principal or interest.

**"Debt Service Reserve Account"** means the account by that name within the Sinking Fund established in **Article IV**.

**"Debt Service Reserve Requirement"** means an amount determined from time to time by the District as a reasonable reserve for the payment of Principal of and interest on Senior Bonds which are not Senior SRF Bonds. Initially, this amount shall be the least of (a) 10% of the stated Principal amount of the Senior Bonds which are not Senior SRF Bonds, (b) the maximum annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), or (c) 125% of the average annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds). The District may in its sole discretion change, reduce or increase this amount from time to time by Supplemental Ordinance, but in no event may the District reduce this amount (A) below the greater of (1) while the Series 2004A Bonds are Outstanding, the least of (x) 10% of the stated Principal amount of the Series 2004A Bonds, (y) the maximum annual Principal and interest requirements on the Series 2004A Bonds (determined as of the issue date), or (z) 125% of the average annual Principal and interest requirements on the Series 2004A Bonds (determined as of the issue date), or (2) 50% of the average annual Debt Service Requirement with respect to Senior Bonds (other than Senior SRF Bonds) in the then current or any succeeding Fiscal Year, and (B) unless each Rating Agency indicates in writing to the District that such reduction will not, by itself, result in a reduction or withdrawal of its current Rating on the Senior Bonds. If the aggregate initial offering price of a series of Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in lieu of the stated Principal amount. Notwithstanding the foregoing, the Debt Service Reserve Requirement, if any, in connection with any Senior SRF Bonds or any Subordinate Bonds, including Subordinate SRF Bonds, shall be as provided in the Series Ordinance authorizing the issuance of such Senior SRF Bonds or such Subordinate Bonds.

**"Depository"** means the depository of each fund established under the Bond Ordinance, and any successor depository of such fund hereafter designated by the District from time to time by Supplemental Ordinance. The initial Depository is UMB Bank, N.A., Kansas City, Missouri.

**"District"** means The Metropolitan St. Louis Sewer District, a body corporate, a municipal corporation and a political subdivision duly created and existing under the laws of the State, and any successor thereto.

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

**"Event of Default"** means any of the events defined as such in **Article VII**.

**"Expenses of Operation and Maintenance"** means all expenses reasonably incurred in connection with the operation, maintenance and repair of the System, including salaries, wages, the cost of materials and supplies, rentals of leased property, if any, management fees, payments to others for the treatment and disposal of sewage, the cost of audits and periodic Consultant's reports, Paying Agent's and Bond Registrar's fees and expenses, payment of premiums for insurance required by the Bond Ordinance and other insurance which the District deems prudent to carry on the System and its operations and personnel, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short-term obligations incurred and payable within a particular Fiscal Year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and, generally, all expenses, exclusive of interest on the Bonds and depreciation or amortization, which under accounting principles generally accepted for municipal utility purposes are properly allocable to operation and maintenance; however, only such expenses as are reasonable and necessary or desirable for the proper operation and maintenance of the System shall be included. **"Expenses of Operation and**

**Maintenance**" also includes the District's obligations under any contract with any other political subdivision or public agency or authority of one or more political subdivisions pursuant to which the District undertakes to make payments measured by the expenses of operating and maintaining any facility which constitutes part of the System and which is owned or operated in part by the District and in part by others.

**"Financial Advisor"** means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is appointed by the District for the purpose of passing on questions relating to the availability and terms of specified types of Bonds and is actively engaged in and, in the good faith opinion of the District, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

**"Fiscal Year"** means the 12-month period used by the District for its general accounting purposes, as it may be changed from time to time. The Fiscal Year at the time this Master Bond Ordinance was adopted begins on July 1 and ends on June 30 of the immediately following calendar year.

**"Fitch"** means Fitch, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the District. At the time this Master Bond Ordinance was adopted, the notice address of Fitch is One State Street Plaza, New York, New York 10004.

**"Forecast Period"** means a period of three consecutive Fiscal Years commencing with the Fiscal Year in which any proposed Senior Bonds are to be issued.

**"Governing Body"** means the Board of Trustees of the District and any predecessor or successor in office to such present body, and any Person to whom or which may hereafter be delegated by law the duties, powers, authority, obligations, or liabilities of the present body, either in whole or in relation to the System.

**"Government Loans"** means loans to the District by the government of the United States or the State, or by any department, authority or agency of either, for the purpose of acquiring, constructing, reconstructing, improving, bettering or extending any part of the System.

**"Government Obligations"** means (a) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged or (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and the interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, (i) are not subject to redemption or prepayment prior to maturity except at the option of the holder of such obligations and (ii) may include U.S. Treasury Trust Receipts.

**"Hedge Agreement"** means, without limitation, (i) any contract provided by a Qualified Hedge Provider known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract provided by a Qualified Hedge Provider providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract provided by a Qualified Hedge Provider to exchange cash flows or payments or series of payments; (iv) any type of contract provided by a Qualified Hedge Provider called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk,

including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement provided by a Qualified Hedge Provider that the District determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

**"Hedge Contingency Payments"** means amounts payable by the District pursuant to any Hedge Agreement as termination payments, fees, expenses and indemnity payments.

**"Hedge Payments"** means amounts payable by the District pursuant to any Hedge Agreement, other than Hedge Contingency Payments.

**"Hedge Period"** means the period during which a Hedge Agreement is in effect.

**"Hedge Receipts"** means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

**"Hedged Bonds"** means any Bonds for which the District shall have entered into a Hedge Agreement.

**"Independent Certified Public Accountant"** means a certified public accountant, or a firm of certified public accountants, who or which is "independent" as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to the District (but who or which may be regularly retained by the District).

**"Interest Payment Date"** means each date on which interest is to become due on any Bonds, as established in the Series Ordinance for such Bonds, and with respect to the Series 2004A Bonds, shall be as specified in **Section 2.2**.

**"Investment Earnings"** means all interest received on and profits derived from investments of moneys in all funds and accounts of the District *other than* investments derived from or with respect to (a) stormwater revenues, (b) all funds and accounts established in connection with SRF Bonds and (c) obligations issued by the District on behalf of any of its subdistricts.

**"Letter of Representations"** means the Blanket Issuer Letter of Representations, dated March 25, 2004, between the District and DTC.

**"Maximum Annual Debt Service"** means the maximum amount of Debt Service Requirements as computed for the then current or any future Fiscal Year.

**"Moody's"** means Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the District. At the time this Master Bond Ordinance was adopted, the notice address of Moody's is 99 Church Street, New York, New York 10007.

**"Net Operating Revenues"** means Operating Revenues, after provision for payment of all Expenses of Operation and Maintenance.

**"Operating Revenues"** means all income and revenue of any nature derived from the operation of the System, including periodic wastewater billings, service charges, other charges for wastewater service and the availability thereof (other than any special assessment proceeds), connection or tap fees (whether accounted for as revenues or as contributed capital), net proceeds from business interruption insurance, the principal of gifts, bequests, contributions, grants and donations available to pay debt service of Bonds, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on Bonds, *but excluding* (a) any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, and local, state or federal grants or other moneys received for the payment of Expenses of Operation and Maintenance, (b) local, state, or federal grants, loans (including Government Loans), capital improvement contract payments, or other moneys received for capital improvements to the System, (c) Investment Earnings, (d) any stormwater charges and (e) any property tax revenues.

**"Other System Obligations"** means obligations of any kind, including but not limited to, Government Loans, general obligation bonds, revenue bonds, capital leases, installment purchase agreements, or notes (but excluding Bonds and related obligations to Credit Facility Providers, Reserve Account Credit Facility Providers and Qualified Hedge Providers), incurred or issued by the District to finance or refinance the cost of acquiring, constructing, reconstructing, improving, equipping, bettering, or extending any part of the System.

**"Outstanding"** means, when used in reference to Bonds, all Bonds which have been duly authenticated and delivered under the Bond Ordinance, with the exception of (a) Bonds in lieu of which other Bonds have been issued under agreement to replace lost, mutilated, stolen, or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under **Section 2.9** or **Section 3.4**, and (c) Bonds for the payment of which provision has been made in accordance with **Article IX**. In determining the amount of Capital Appreciation Bonds Outstanding under the Bond Ordinance, the Accreted Value of such Capital Appreciation Bonds at the time of determination shall be used.

**"Paying Agent"** means any bank or trust company, including any successors and assigns thereof, authorized by the District in the Bond Ordinance to pay the Principal of, premium, if any, or interest on any Bonds on behalf of the District. Such Paying Agent shall perform the duties required of the Paying Agent in the Bond Ordinance. BNY Trust Company of Missouri, St. Louis, Missouri, is hereby designated as Paying Agent for the Bonds; provided, however, that in connection with the issuance of any SRF Bonds, the District shall appoint such Paying Agent designated by the issuer of the SRF Bonds.

**"Payments Account"** means the account by that name within the Sinking Fund established in **Article IV**.

**"Permitted Investments"** means obligations in which the District is permitted to invest moneys of the District pursuant to applicable law, which have (or are collateralized by obligations which have) a Rating by any Rating Agency which is equal to or greater than the third highest long-term Rating of such Rating Agency, or which bears (or are collateralized by obligations which bear) the second highest short-term Rating of such Rating Agency. As of the date of adoption of this Master Bond Ordinance, obligations in which the District is permitted to invest proceeds of Bonds are described in Section 7.020 of the Charter.

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

**"Pledged Bond"** means any Bond purchased and held by a Credit Facility Provider pursuant to a Credit Facility Agreement. A Bond shall be deemed a Pledged Bond only for the actual period during which such Bond is owned by a Credit Facility Provider pursuant to a Credit Facility Agreement.

**"Pledged Bond Rate"** means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

**"Pledged Revenues"** means Net Operating Revenues, Investment Earnings, Hedge Receipts, and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the funds and accounts specified in **Section 4.2**, but excluding any amounts required in the Bond Ordinance to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Fund.

**"Principal"** means (i) with respect to a Current Interest Bond, the principal amount of such Bond, and (ii) with respect to a Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond.

**"Principal Maturity Date"** means each date on which Principal is to become due on any Bonds, by maturity or mandatory sinking fund redemption, as established in the Series Ordinance for such Bonds.

**"Project"** means the acquisition, construction, reconstruction, improvement, betterment, extension or equipping of the System, in whole or in part, with the proceeds of a series of Bonds, including, but not limited to, the Series 2004A Project.

**"Project Fund"** means the fund by that name established in **Article IV**.

**"Purchase Contract"** means (i) with respect to the Series 2004A Bonds, the Purchase Contract between the District and the Underwriter, in substantially the form attached hereto as **Exhibit C**, and (ii) with respect to any additional Bonds, the purchase contract between the District and the Underwriter relating to such series of Bonds.

**"Put Date"** means any date on which a Bondholder may elect to have Balloon Bonds redeemed, prepaid, purchased directly or indirectly by the District, or otherwise paid.

**"Qualified Hedge Provider"** means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as the third highest Rating of each Rating Agency, but in no event lower than any Rating on the related Hedged Bonds at the time of execution of the Hedge Agreement, or (ii) in any such lower Rating which each Rating Agency indicates in writing to the District will not, by itself, result in a reduction or withdrawal of its Rating on the related Hedged Bonds that is in effect prior to entering into the Hedge Agreement. An entity's status as a **"Qualified Hedge Provider"** is determined only at the time the District enters into a Hedge Agreement with such entity and shall not be redetermined with respect to that Hedge Agreement.

**"Rating"** means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.



**"Rating Agencies" or "Rating Agency"** means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Bonds at the request of the District. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Bonds, then a reference to Rating Agency or Rating Agencies shall not include such Rating Agency.

**"Rebate Fund"** means the fund by that name established in **Article IV**.

**"Record Date"** means, with respect to any semiannual Interest Payment Date, the 15th day of the calendar month immediately preceding such Interest Payment Date, and any record dates designated by the District in a Series Ordinance.

**"Reimbursement Obligation"** means the obligation of the District to directly reimburse any Credit Facility Provider for amounts paid by such Credit Facility Provider under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

**"Renewal and Extension Fund"** means the fund by that name established in **Article IV**.

**"Replenishment Payments"** shall have the meaning ascribed therefor in **Section 4.4(f)**.

**"Reserve Account Credit Facility"** means any letter of credit, insurance policy, line of credit, or surety bond, together with any substitute or replacement therefor, if any, complying with the provisions of the Bond Ordinance, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

**"Reserve Account Credit Facility Agreement"** means any agreement between the District and a Reserve Account Facility Provider relating to the issuance of a Reserve Account Credit Facility, as such agreement may be amended from time to time.

**"Reserve Account Credit Facility Provider"** means any provider of a Reserve Account Credit Facility.

**"Revenue Fund"** means the fund by that name established in **Article IV**.

**"Senior Bonds"** means the Series 2004A Bonds and any Bonds, including Senior SRF Bonds, issued with a right to payment and secured by a lien on a parity with the Series 2004A Bonds (except with respect to any Credit Facility which may be available only to one or more series of Senior Bonds and except that Senior SRF Bonds shall not be secured by the Debt Service Reserve Account) pursuant to **Section 5.3**.

**"Senior Hedge Agreements"** means Hedge Agreements relating to Hedged Bonds which are Senior Bonds.

**"Senior SRF Bonds"** means SRF Bonds which are Senior Bonds.

**"Series 2004A Bonds"** means the District's Wastewater System Revenue Bonds, Series 2004A, in the original aggregate Principal amount of \$175,000,000, authorized under **Section 2.2**.

**"Series 2004A Costs of Issuance Account"** means the account by that name within the Project Fund established in **Article IV**.

**"Series 2004A Credit Facility"** means the financial guaranty insurance policy issued by the Series 2004A Credit Facility Provider that guarantees payment of Principal of and interest on the Series 2004A Insured Bonds.

**"Series 2004A Credit Facility Provider"** means MBIA Insurance Corporation, a New York domiciled corporation, or any successor thereto.

**"Series 2004A Insured Bonds"** means the Series 2004A Bonds maturing on May 1 in the years 2010 through 2034, inclusive.

**"Series 2004A Official Statement"** means the final Official Statement respecting the Series 2004A Bonds.

**"Series 2004A Project"** means the project as (1) generally described in the report dated September 2002, prepared by the District's program planners, Sverdrup, Kwame and Metcalf & Eddy, and (2) particularly described in plans and specifications on file from time to time with the District.

**"Series 2004A Project Account"** means the account by that name within the Project Fund established in **Article IV**.

**"Series 2004A Rebate Account"** means the account by that name within the Rebate Fund established in **Article IV**.

**"Series 2004A Registrar and Paying Agent Agreement"** means the Registrar and Paying Agent Agreement between the District and the Paying Agent, relating to the Series 2004A Bonds, in substantially the form attached hereto as **Exhibit E**.

**"Series Ordinance"** means a bond ordinance or bond ordinances of the District (which may be supplemented by one or more bond ordinances) to be adopted prior to and authorizing the issuance and delivery of any series of Bonds. This Master Bond Ordinance shall constitute the Series Ordinance for the Series 2004A Bonds, as well as a Master Bond Ordinance for Senior Bonds and Subordinate Bonds. Such a bond ordinance as supplemented shall establish the date or dates of the pertinent series of Bonds, the schedule of maturities of such Bonds, whether any such Bonds will be Capital Appreciation Bonds, the name of the purchaser(s) of such series of Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby, whether fixed or variable, the interest payment dates for such Bonds, the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Bonds, and such other details as the District may determine.

**"Sinking Fund"** means the fund by that name established in **Article IV**.

**"SRF Bonds"** means such Bonds or other obligations issued in connection with the District's participation in the Missouri State Revolving Fund Program of the Missouri Department of Natural Resources and the State Environmental Improvement and Energy Resources Authority, which SRF Bonds may be Senior SRF Bonds or Subordinate SRF Bonds.

**"Standard and Poor's"** or **"S&P"** means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the District. At the time this Master Bond Ordinance was adopted, the notice address of Standard & Poor's is 25 Broadway, New York, New York 10004.

**"State"** means the State of Missouri.

**"Subordinate Bonds"** means Bonds, including Subordinate SRF Bonds, issued with a right to payment from the Pledged Revenues and secured by a lien on the Pledged Revenues expressly junior and subordinate to the Senior Bonds.

**"Subordinate Hedge Agreements"** means Hedge Agreements relating to Hedged Bonds which are Subordinate Bonds.

**"Subordinate SRF Bonds"** means SRF Bonds which are Subordinate Bonds.

**"Supplemental Ordinance"** means (a) any Series Ordinance and (b) any modification, amendment, or supplement to this Master Bond Ordinance other than a Series Ordinance.

**"System"** means the sanitary sewer system of the District, as it now exists and as it may be hereafter added to, extended, improved and equipped, either from the proceeds of the Bonds or from any other sources at any time hereafter, including, without limitation, (a) all sanitary sewers, all combined sewers, all pumping stations, all wastewater treatment plants, and all equipment used in connection therewith, all facilities for the collection, treatment and disposal of sewage and wastewater, including industrial wastes, and (b) all other facilities or property of any nature or description, real or personal, tangible or intangible, now or hereafter owned or used by the District in the collection, treatment and disposal of sewage. The District may own a partial interest in any sanitary sewer facility, the remaining interest in which may be owned by or on behalf of a political subdivision of the State or any agency or authority thereof. In case of such ownership, the rights and interests possessed by the District in such facility shall be included as part of the System.

**"Tax-Exempt Bonds"** means any Bonds the interest on which has been determined, in an opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.

**"Term Bonds"** means Bonds which mature on one Principal Maturity Date yet a portion of which are required to be redeemed, prior to maturity, under a schedule of mandatory redemptions established by the Bond Ordinance.

**"Underwriter"** means (i) with respect to the Series 2004A Bonds, Banc of America Securities LLC, as representative of the original purchasers of the Series 2004A Bonds, and (ii) with respect to any additional series of Bonds, the underwriter(s) specified in the Series Ordinance authorizing such series of Bonds.

**"U.S. Treasury Trust Receipts"** means receipts or certificates which evidence an undivided ownership interest in the right to the payment of portions of the principal of or interest on obligations described in clauses (a) or (b) of the term Government Obligations, provided that such obligations are held by a bank or trust company organized under the laws of the United States acting as custodian of such obligations, in a special account separate from the general assets of such custodian.

**"Variable Rate"** means a rate of interest applicable to Bonds, other than a fixed rate of interest which applies to a particular maturity of Bonds, so long as that maturity of Bonds remains Outstanding.

**Section 1.2. Construction of Certain Terms.** For all purposes of the Bond Ordinance, except as otherwise expressly provided or unless the context otherwise requires, the following rules of construction shall apply:

(1) The use of the masculine, feminine, or neuter gender is for convenience only and shall be deemed and construed to include correlative words of the masculine, feminine, or neuter gender, as appropriate.

(2) All references in the Bond Ordinance to designated "Articles," "Sections," and other subdivisions are to the designated Articles, Sections, and other subdivisions of the Bond Ordinance. The words "herein," "hereof," and "hereunder" and other words of similar import refer to the Bond Ordinance as a whole and not to any particular Article, Section, or other subdivision.

(3) The terms defined in this Article shall have the meanings assigned to them in this Article and include the plural as well as the singular.

(4) Whenever an item or items are listed after the word "including," such listing is not intended to be a listing that excludes items not listed.

(5) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as promulgated by the American Institute of Certified Public Accountants.

**Section 1.3. Table of Contents; Titles and Headings.** The table of contents, the titles of the articles, and the headings of the sections of the Bond Ordinance are solely for convenience of reference, are not a part of the Bond Ordinance, and shall not be deemed to affect the meaning, construction, or effect of any of its provisions.

**Section 1.4. Contents of Certificates or Opinions.** Every certificate or opinion with respect to the compliance with a condition or covenant provided for in the Bond Ordinance shall include: (i) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions in the Bond Ordinance relating thereto, (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (iii) a statement that, in the opinion of the signer(s), they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with, and (iv) a statement as to whether, in the opinion of the signer(s), such condition or covenant has been complied with.

Any such certificate or opinion made or given by an official of the District may be based, insofar as it relates to legal or accounting matters, upon a certificate or an opinion of counsel or an accountant, which certificate or opinion has been given only after due inquiry of the relevant facts and circumstances, unless such official knows that the certificate or opinion with respect to the matters upon which his certificate or opinion may be based as aforesaid is erroneous or in the exercise of reasonable care should have known that the same was erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based (insofar as it relates to factual matters with respect to information which is in the possession of an official of the District or any third party) upon the certificate or opinion of or representations by an official of the District or any third party on whom counsel or an accountant could reasonably rely unless such counsel or such accountant knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous or in the exercise of reasonable care should have known that the same were erroneous. The

same official of the District, or the same counsel or accountant, as the case may be, need not certify or opine to all of the matters required to be certified or opined under any provision of the Bond Ordinance, but different officials, counsel, or accountants may certify or opine to different matters, respectively.

[End of Article I]

## ARTICLE II

### THE BONDS

**Section 2.1. Authorization and Form of Bonds Generally.** The Bonds authorized under the Bond Ordinance may be issued and sold from time to time in one or more series, shall be designated "The Metropolitan St. Louis Sewer District Wastewater System Revenue Bonds," and shall be in substantially the form set forth in the related Series Ordinance, but such variations, omissions, substitutions, and insertions may be made therein, and such particular series designation, legends, or text may be endorsed thereon, as may be necessary or appropriate to conform to and as required or permitted by this Master Bond Ordinance and any Series Ordinance or as may be necessary or appropriate to comply with applicable requirements of the Code. The Bonds also may bear such legend or contain such further provisions as may be necessary to comply with or conform to the rules and requirements of any brokerage board, securities exchange, or municipal securities rulemaking board.

The Series 2004A Bonds authorized pursuant to **Section 2.2.** shall constitute the initial series of Bonds issued and delivered under, and secured by, this Master Bond Ordinance. Senior Bonds may be issued from time to time as provided in, and subject to the limitations set forth in, **Article V.** Subordinate Bonds may be issued from time to time as provided in, and subject to the limitations set forth in, **Section 5.4.**

Unless otherwise provided in a Series Ordinance, each Bond authenticated prior to the first Interest Payment Date thereon shall bear interest from its dated date. Each Bond authenticated on or after the first Interest Payment Date thereon shall bear interest from the Interest Payment Date thereon next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on such Bond has been paid in full or duly provided for, in which case from such date of authentication; provided that if, as shown by the records of the Paying Agent, interest on such Bond shall be in default, such Bond shall bear interest from the date to which interest has been paid in full on such Bond or, if no interest has been paid on such Bond, its dated date. Each Bond shall bear interest on overdue Principal at the rate borne by such Bond until the Principal balance thereof is paid in full.

Unless otherwise provided in a Series Ordinance, the Bonds shall be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof and shall be dated as provided in the pertinent Series Ordinance, except that any Capital Appreciation Bond shall be issued in the denomination of \$5,000 maturity amount or integral multiples thereof and any Bonds bearing interest at a Variable Rate may be issued in the denomination of \$100,000 each or integral multiples of \$5,000 in excess thereof.

The Principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

The Bonds and the Bond Registrar's Certificate of Authentication shall be in substantially the form set forth in the Series Ordinance pursuant to which such series of Bonds are issued.

**Section 2.2. Authorization of Series 2004A Bonds; Details.** The District hereby authorizes the execution, issuance, and delivery of a series of Bonds to be designated "The Metropolitan St. Louis Sewer District Wastewater System Revenue Bonds, Series 2004A," in the aggregate Principal amount of \$175,000,000, which series of Bonds shall be executed, issued, and delivered under, and secured by, this Master Bond Ordinance.

The Series 2004A Bonds shall be dated the date of their initial issuance. Each series of Series 2004A Bonds shall be numbered in a convenient manner, established by the Bond Registrar and shown by the Bond Register.

The Series 2004A Bonds and the Bond Registrar's Certificate of Authentication shall be in substantially the form set forth in **Exhibit A** attached hereto, with such variations, omissions, substitutions and insertions as are required or permitted by this Master Bond Ordinance.

The Series 2004A Bonds shall bear interest at the rates per annum set forth below, computed on the basis of a 360-day year consisting of twelve 30-day months, payable on November 1, 2004 and semiannually thereafter on each May 1 and November 1 of each year and shall mature on May 1 in the years and in the Principal amounts as follows, unless earlier called for redemption:

**SERIAL BONDS**

<b>Stated Maturity <u>May 1</u></b>	<b>Principal <u>Amount</u></b>	<b>Annual Rate <u>of Interest</u></b>
2006	\$1,500,000	2.000%
2007	1,505,000	2.000
2008	1,510,000	2.500
2009	1,520,000	2.750
2010	1,595,000	3.000
2011	1,780,000	3.250
2012	1,960,000	3.500
2013	2,165,000	3.600
2014	2,375,000	3.750
2015	2,615,000	4.000
2016	2,855,000	4.000
2017	3,125,000	4.000
2018	3,405,000	4.125
2019	780,000	4.250
2019	2,960,000	5.000
2020	65,000	4.375
2020	4,025,000	5.000
2021	150,000	4.500
2021	4,310,000	5.000
2022	3,530,000	4.500
2022	1,330,000	5.000
2023	1,355,000	4.625
2023	3,925,000	5.000
2024	5,730,000	5.000

**TERM BONDS**

<b>Stated Maturity <u>May 1</u></b>	<b>Principal <u>Amount</u></b>	<b>Annual Rate <u>of Interest</u></b>
2029	\$49,695,000	4.750%
2034	69,235,000	5.000

Some or all of the Bonds issued after the Series 2004A Bonds may be Term Bonds. Any requirement for the mandatory redemption of Term Bonds prior to maturity may be satisfied to the extent that any Bonds of the same series and maturity shall have been acquired by the District and presented for cancellation to the Bond Registrar on or prior to the mandatory redemption date.

**Section 2.3. Execution and Authentication of Bonds.** The Bonds shall be executed by the Chairman of the Governing Body or the Chief Officer and attested by the Attesting Officer and shall be sealed with the official seal or a facsimile of the official seal of the District. The facsimile signature of the Chairman of the Governing Body, the Chief Officer and the Attesting Officer may be imprinted on the Bonds instead of their manual signatures. Bonds bearing the manual or facsimile signatures of a person in office at the time such signature was signed or imprinted shall be fully valid, notwithstanding the fact that before or after delivery of such Bonds such person ceased to hold such office.

Until definitive Bonds are ready for delivery, the District may execute, and upon request of the District the Bond Registrar shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same limitations and conditions as definitive Bonds, temporary printed, engraved, lithographed or typewritten Bonds.

Only such Bonds as shall be authenticated by the endorsement thereon of a certificate substantially in the form contained on the form of Bond set forth in the Bond Ordinance, executed by the Bond Registrar by the manual signature of one of its authorized signatories, shall be secured by the Bond Ordinance or shall be entitled to any benefit under the Bond Ordinance. Every such certificate of the Bond Registrar upon any Bond purporting to be secured by the Bond Ordinance shall be conclusive evidence that the Bond so certified has been duly issued under the Bond Ordinance and that the owner is entitled to the benefit of the Bond Ordinance. It shall not be necessary for the same signatory to sign the certificate of authentication on all of the Bonds secured under the Bond Ordinance or on all Bonds of any series.

**Section 2.4. Registration of Bonds.** The District shall cause the Bond Register for the registration and for the transfer of the Bonds as provided in the Bond Ordinance to be kept by the Bond Registrar. The Bonds shall be registered as to Principal and interest on the Bond Register upon presentation thereof to the Bond Registrar which shall make notation of such registration thereon; provided that the District reserves the right to issue coupon Bonds payable to bearer whenever to do so would not result in any adverse federal tax consequences.

**Section 2.5. Place of Payment.** The Principal of and redemption premium, if any, on any Bonds shall be payable to the Bondholder at the principal payment office of the Paying Agent or at such other office designated by the Paying Agent for such purpose, upon presentation and surrender of such Bond. Payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the person appearing as the registered owner thereof as of the close of business on the Record Date preceding the Interest Payment Date by check mailed to such registered owner at its address as it appears on the Bond Register, or at such other address as is furnished in writing by such registered owner to the Bond Registrar prior to such Record Date, notwithstanding the cancellation of any such Bonds



upon any exchange or transfer thereof subsequent to the Record Date and prior to such Interest Payment Date.

Notwithstanding the foregoing, interest on the Bonds of any series shall be payable to any registered owner of more than \$500,000 in aggregate Principal of the Bonds of such series by deposit of immediately available funds to the account of such registered owner maintained with the Paying Agent or transmitted by electronic transfer to such registered owner at an account maintained at a commercial bank located within the United States of America, if the Paying Agent receives from such registered owner written deposit or electronic transfer instructions not less than 15 days prior to the Record Date preceding the Interest Payment Date for which the deposit or electronic transfer is requested.

The District may, by Supplemental Ordinance, provide for other methods or places of payment, including electronic transfer, as it may deem appropriate for any Bonds.

**Section 2.6. Persons Treated as Owners.** The person in whose name any Bond is registered in the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either Principal or interest shall be made only to or upon the order of the registered owner thereof or such registered owner's attorney duly authorized in writing. 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.

**Section 2.7. Transfer and Exchange of Bonds.** Bonds may be transferred by surrender for transfer at the principal corporate trust office of the Bond Registrar or at such other office designated by the Bond Registrar for such purpose, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or the registered owner's attorney duly authorized in writing. The District shall cause to be executed and the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same series, maturity, interest rate, aggregate Principal, and tenor of any authorized denomination or denominations, and bearing numbers not then outstanding.

Bonds may be exchanged at the principal corporate trust office of the Bond Registrar or at such other office designated by the Bond Registrar for such purpose, for a like aggregate Principal amount of Bonds of other authorized denominations of the same series, maturity, and interest rate, and bearing numbers not then outstanding. The District shall cause to be executed and the Bond Registrar shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive.

The Bond Registrar shall not be required to transfer or exchange any Bond after notice calling such Bond for redemption has been given or during the period of 15 days (whether or not a Business Day for the Bond Registrar, but excluding the date of giving such notice of redemption and including such 15th day) immediately preceding the giving of such notice of redemption.

In any exchange or registration of transfer of any Bond, the owner of the Bond shall not be required to pay any charge or fee; provided, however, if and to whatever extent any tax or governmental charge is at any time imposed on any such exchange or transfer, the District or the Bond Registrar may require payment of a sum sufficient for such tax or charge. In the event any Bondholder fails to provide a correct taxpayer identification number to the Bond Registrar, the Bond Registrar may impose a charge against such Bondholder sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Bondholder hereunder or under the Bonds.

All Bonds surrendered for exchange or transfer of registration shall be cancelled and destroyed by the Bond Registrar in accordance with **Section 2.8**.

**Section 2.8. Destruction of Bonds.** All Bonds paid by the Paying Agent at maturity or upon redemption prior to maturity shall be cancelled and delivered to the Bond Registrar for destruction in accordance with the customary practices of the Bond Registrar and applicable record retention laws. All Bonds cancelled on account of payment, transfer, or exchange shall be cancelled and, in accordance with the customary practices of the Bond Registrar and applicable record retention laws, destroyed by the Bond Registrar and shall not be reissued, and a certificate with respect to Bonds that have been destroyed shall be furnished by the Bond Registrar to the District on an annual basis.

**Section 2.9. Mutilated, Lost, Stolen or Destroyed Bonds.** If any Bond is mutilated, lost, stolen or destroyed, the District may execute and deliver a new Bond of the same series, maturity, interest rate, aggregate Principal, and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed. In the case of any mutilated Bond, however, such mutilated Bond shall first be surrendered to the Bond Registrar, and, in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the Bond Registrar evidence satisfactory to it of the ownership of such Bond and of such loss, theft or destruction, together with indemnity to the District and the Bond Registrar, satisfactory to each of them. If any such Bond shall have matured or a redemption date pertaining to the Bond shall have passed, instead of issuing a new Bond the District may pay or cause the Paying Agent to pay the Bond. The District, the Bond Registrar, and the Paying Agent may charge the owner of such Bond with their reasonable fees and expenses for replacing mutilated, lost, stolen or destroyed Bonds.

In executing a new Bond and in furnishing the Bond Registrar with the written authorization to deliver a new Bond as provided for in this Section, the District may rely conclusively on a representation of the Bond Registrar that the Bond Registrar is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Bond.

**Section 2.10. Nonpresentment of Bonds.** If any Bond is not presented for payment when the Principal thereof becomes due at maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent, all liability of the District to the registered owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the registered owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Ordinance or on, or with respect to, said Bond. If any Bond is not presented for payment within two years following the date when such Bond becomes due at maturity, the Paying Agent shall repay to the District the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the District, and the registered owner thereof shall be entitled to look only to the District for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the District shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

**Section 2.11. DTC Book-Entry.** Unless otherwise provided in a Series Ordinance, the Bonds shall be initially issued in the name of Cede & Co., as nominee for DTC, as registered owner of the Bonds, and held in the custody of DTC or the Paying Agent as its "Fast Agent." A single certificate will be issued and delivered to DTC or the Paying Agent as its "Fast Agent" for each maturity of the Bonds. The actual purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical delivery of Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each Bond acquired. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will

be made by book-entry only, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership of Bonds is to receive, hold, or deliver any Bond certificate.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner's allocable share of any tax, fee, or other governmental charge that may be imposed in relation thereto.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner under the following circumstances:

(a) DTC determines to discontinue providing its service with respect to a series of Bonds (such a determination may be made at any time by giving 30 days' notice to the District and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law), or

(b) DTC participants with a majority position in the Bonds (other than SRF Bonds) determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners.

The District and the Bond Registrar will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting.

The District and the Bond Registrar covenant and agree, so long as DTC shall continue to serve as securities depository for the Bonds, to meet the requirements of DTC with respect to required notices and other provisions of the Letter of Representations.

The Bond Registrar is authorized to rely conclusively upon a certificate furnished by DTC and corresponding certificates from DTC participants and indirect participants as to the identity of, and the respective Principal amount of Bonds beneficially owned by, the Beneficial Owner or Beneficial Owners.

If at any time DTC ceases to hold the Bonds, a Supplemental Ordinance amending the relevant provisions of this Master Bond Ordinance shall be adopted and thereafter all references in this Master Bond Ordinance to DTC in connection with the Bonds shall be of no further force or effect.

[End of Article II]

**ARTICLE III**

**REDEMPTION OF BONDS**

**Section 3.1. Optional and Mandatory Redemption of Bonds.**

(a) *Redemption Generally.* The Bonds shall be subject to redemption as provided in the Series Ordinance pursuant to which such series of Bonds are issued.

(b) *Optional Redemption of Series 2004A Bonds by District.* The Series 2004A Bonds maturing on or after May 1, 2015 are subject to redemption prior to maturity at the option of the District on or after May 1, 2014, in whole or in part at any time, at a redemption price equal to 100% of the Principal amount of the Bonds to be redeemed plus accrued interest to the redemption date.

(c) *Mandatory Redemption of Series 2004A Bonds.* The Series 2004A Bonds maturing in the years 2029 and 2034 are Term Bonds and are subject to mandatory redemption prior to maturity on May 1 of the years, in the amounts, and at the prices provided below.

As and for a sinking fund for the retirement prior to maturity of the Series 2004A Bonds that are Term Bonds, there shall be deposited in the Payments Account from the Revenue Fund an amount sufficient to redeem the following Principal amounts of the Series 2004A Bonds on May 1 of each year specified below (each such date being referred to as a "mandatory redemption date"):

**Series 2004A Bonds Maturing May 1, 2029**

<u>Year</u>	<u>Principal Amount</u>
2025	\$ 6,210,000
2026	9,890,000
2027	10,215,000
2028	11,420,000
2029 <sup>†</sup>	11,960,000

<sup>†</sup>Final Maturity

**Series 2004A Bonds Maturing May 1, 2034**

<u>Year</u>	<u>Principal Amount</u>
2030	\$12,530,000
2031	13,155,000
2032	13,815,000
2033	14,505,000
2034 <sup>†</sup>	15,230,000

<sup>†</sup>Final Maturity

The District shall redeem such an aggregate Principal amount of the Series 2004A Bonds at a redemption price equal to the Principal amount thereof plus the interest due thereon to the mandatory redemption date.

**Section 3.2. Notice of Redemption.** Unless waived by any registered owner of Bonds to be redeemed and except as may be otherwise provided in a Series Ordinance, official notice of any such

redemption shall be given by the Bond Registrar on behalf of the District by mailing a copy of an official redemption notice by first class mail, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall be dated, shall contain the complete official name of the Bond issue, and shall state:

- (1) the redemption date;
- (2) the redemption price;
- (3) the interest rate (unless such Bonds bear interest at a Variable Rate) and maturity date of the Bonds being redeemed;
- (4) if less than all the Outstanding Bonds are to be redeemed, the Bond numbers, and, where part of the Bonds evidenced by one Bond certificate are being redeemed, the respective Principal amounts of such Bonds to be redeemed;
- (5) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after such date; and
- (6) the place where such Bonds are to be surrendered for payment of the redemption price (which place of payment shall be the principal payment office of the Paying Agent or at such other office designated by the Paying Agent for such purpose) and the name, address, and telephone number of a person or persons at the Paying Agent who may be contacted with respect to the redemption.

Any notice of redemption of any Bonds pursuant to **Section 3.1(b)** may specify that the redemption is contingent upon the deposit of moneys with the Paying Agent in an amount sufficient to pay the redemption price (which price shall include the redemption premium, if any) of all the Bonds or portions of Bonds which are to be redeemed on that date.

Prior to any redemption date, the District shall deposit with the 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.

In addition to the official notice described above, further notice shall be given by the Bond Registrar as set forth below:

1. Each further notice of redemption given shall contain the information required above for an official notice of redemption plus: (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed (unless the Bonds bear interest at a Variable Rate); (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

2. Each further notice of redemption shall be sent at least 35 days (or such other number of days as may be specified in a Series Ordinance) before the redemption date by legible

facsimile transmission, registered or certified mail, or overnight delivery service, as determined by the Bond Registrar, to all registered securities depositories then in the business of holding substantial amounts of obligations of the types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

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

Not less than 60 days after the redemption date, the Bond Registrar shall send a second copy of the official notice of redemption to the registered owner of any Bond or Bonds to be redeemed if, by such date, such registered owner has not surrendered its Bond or Bonds for redemption. Such notice shall be sent by registered or certified mail, with a return receipt requested.

For so long as DTC is effecting book-entry transfers of the Bonds, the Bond Registrar shall provide the notices specified in this Section to DTC. It is expected that DTC shall, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Bond Registrar, a participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Any defect in any notice of redemption shall not affect the validity of proceedings for redemption of the Bonds.

**Section 3.3. Bond Registrar Shall Give Notice of Redemption.** Notice of redemption of Bonds to be redeemed shall be given by the Bond Registrar for and on behalf of the District whenever either: (i) such redemption is required to be made under the Series Ordinance for such Bonds, or (ii) such redemption is permitted to be made under the terms of such Bonds and the District requests that such redemption be made.

**Section 3.4. Effect of Notice of Redemption.** Official notice of redemption having been given in the manner and under the conditions provided in this Article and moneys for payment of the redemption price being held by the Paying Agent as provided in the Bond Ordinance, the Bonds or portions of Bonds called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, and from and after such date interest on the Bonds or portions of Bonds called for redemption shall cease to accrue, such Bonds or portions of Bonds shall cease to be entitled to any lien, benefit, or security under the Bond Ordinance, and the owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. Upon surrender for partial redemption of any Bond, there shall be prepared for and delivered to the registered owner a new Bond or Bonds of the same series, maturity, and interest rate in the amount of the unpaid Principal.

**Section 3.5. Redemption Among Series.** Subject to the redemption provisions of any Series Ordinance, the District in its discretion may redeem the Bonds of any series, or a portion of the Bonds of any such series, before it redeems the Bonds of any other series. Within any particular series, any redemption of Bonds shall be effected in the manner provided in this Master Bond Ordinance and in any Series Ordinance.

**Section 3.6. Selection of Bonds to be Redeemed.** If less than all of the Bonds of like maturity of any series shall be called for redemption, the particular Bonds, or portions of Bonds, to be

redeemed shall be selected by the Paying Agent in such equitable manner as the Paying Agent may determine. The portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the Principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Bonds for redemption, the District shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by \$5,000; provided, however, that with respect to Variable Rate Bonds, the portion of any such Bond of a denomination of more than \$100,000 to be redeemed shall be in the Principal amount of \$100,000 or an integral multiple of \$5,000 in excess thereof, and, in selecting portions of such Bonds for redemption, the District shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by \$100,000 or \$5,000 or an integral multiple of \$5,000 in excess thereof.

**Section 3.7. Purchase in Open Market.** Nothing herein contained shall be construed to limit the right of the District to purchase with any excess moneys in the Payments Account (i.e., moneys not needed in the then current Fiscal Year to pay Principal of and interest on any Senior Bonds) and for Sinking Fund purposes, any Senior Bonds in the open market at a price not exceeding the callable price. Any such Senior Bonds so purchased shall not be reissued and shall be cancelled.

[End of Article III]

## ARTICLE IV

### PLEGGED REVENUES AND FLOW OF FUNDS

**Section 4.1. Pledge of Revenues; Limited Obligations.** Subject only to the rights of the District to apply amounts as provided in this **Article IV**, all Pledged Revenues shall be and are hereby pledged to the prompt payment of the Principal of, premium, if any, and interest on the Bonds. Such moneys and securities shall immediately be subject to the lien of this pledge for the benefit of the Bondholders without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding against the District and against all other persons having claims against the District, whether such claims shall have arisen in tort, contract, or otherwise, and regardless of whether such persons have notice of the lien of this pledge. This pledge shall rank superior to all other pledges which may hereafter be made of any of the Pledged Revenues, except for pledges of the Pledged Revenues hereafter made by the District in the Hedge Agreements to secure Hedge Payments, which may rank on a parity with this pledge as to the related Hedged Bonds. The lien of the pledge made in this **Section 4.1** does not secure any obligation of the District other than the Bonds.

The Bonds shall be limited obligations of the District as provided therein payable solely from the Pledged Revenues. The Bonds and the interest thereon shall not constitute a general or moral obligation of the District nor a debt, indebtedness, or obligation of, or a pledge of the faith and credit of, the District or the State or any political subdivision thereof, within the meaning of any constitutional, statutory or charter provision whatsoever. Neither the faith and credit nor the taxing power of the District, the State, or any political subdivision thereof is pledged to the payment of the Principal of, premium, if any, or interest on the Bonds or other costs incident thereto. The District has no authority to levy any taxes to pay the Bonds. Neither the members of the Governing Body nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

**Section 4.2. Funds and Accounts.** The District hereby establishes or ratifies the establishment of the following funds and accounts, and the moneys deposited in such funds and accounts shall be held in trust for the purposes set forth in the Bond Ordinance:

**4.2.1.** The Metropolitan St. Louis Sewer District Wastewater Revenue Fund (the "**Revenue Fund**"), to be held by the Depository for the account of the District.

**4.2.2.** The Metropolitan St. Louis Sewer District Wastewater Sinking Fund (the "**Sinking Fund**"), to be held by the Depository for the account of the District, and within said Sinking Fund a Payments Account and a Debt Service Reserve Account.

**4.2.3.** The Metropolitan St. Louis Sewer District Wastewater Renewal and Extension Fund (the "**Renewal and Extension Fund**"), to be held by the Depository for the account of the District.

**4.2.4.** The Metropolitan St. Louis Sewer District Wastewater Rebate Fund (the "**Rebate Fund**"), to be held by the Depository for the account of the District, and within said Rebate Fund a Series 2004A Rebate Account.

**4.2.5.** The Metropolitan St. Louis Sewer District Wastewater Project Fund (the "**Project Fund**"), to be held by the Depository for the account of the District, and within said Project Fund a Series 2004A Project Account and a Series 2004A Costs of Issuance Account.



Each account listed above shall be held within the fund under which it is created. All funds and accounts listed above are further described in this Article, except for (i) the Rebate Fund as further described in **Article VI** and (ii) the Project Fund as further described in **Article XII**. The District reserves the right, in its sole discretion, to create additional subaccounts or to abolish any subaccounts within any account from time to time.

### **Section 4.3. Revenue Fund.**

(a) The District shall deposit and continue to deposit all Operating Revenues in the Revenue Fund from time to time as and when received. Moneys in the Revenue Fund shall be applied by the District from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the following order of priority: (1) to pay Expenses of Operation and Maintenance, (2) to deposit into the Sinking Fund the amounts required by **Section 4.4**, (3) to make Replenishment Payments to the Debt Service Reserve Account and to pay to any Credit Facility Provider any amounts due under a Credit Facility Agreement, including Additional Interest, in accordance with **Section 4.4(f)**, (4) to deposit into the Rebate Fund the amounts required by **Section 6.11**, (5) to pay any amounts due any Reserve Account Credit Facility Provider pursuant to the Reserve Account Credit Facility Agreement, (6) to deposit the amounts required to be deposited into the funds and accounts created by any Series Ordinance authorizing the issuance of Subordinate Bonds, for the purpose of paying Principal of (whether at maturity, upon mandatory redemption or as otherwise required by a Series Ordinance relating to Subordinate SRF Bonds) and interest on Subordinate Bonds, making Hedge Contingency Payments under Senior Hedge Agreements, making Hedge Payments and making Hedge Contingency Payments under Subordinate Hedge Agreements, and accumulating reserves for such payments, (7) to make Accumulation Payments to the Debt Service Reserve Account in accordance with **Section 4.4(f)**, and (8) to pay any amounts required to be paid with respect to any Other System Obligations.

(b) In addition to, and after, the deposits described in paragraph (a) above, the District may from time to time deposit into the Renewal and Extension Fund any moneys and securities held in the Revenue Fund in excess of 45 days' estimated Expenses of Operation and Maintenance.

(c) Any money withdrawn from the funds and accounts described in clause (6) of **Section 4.3(a)** for use in making payments described in said clause (6) shall be released from the lien of the Bond Ordinance. If at any time the amounts in any account of the Sinking Fund are less than the amounts required by the Bond Ordinance, and there are not on deposit in the Renewal and Extension Fund available moneys sufficient to cure any such deficiency, then the District shall withdraw from the funds and accounts of the District relating to Subordinate Bonds which are not Subordinate SRF Bonds and deposit in such account of the Sinking Fund, as the case may be, the amount necessary (or all the moneys in such funds and accounts, if less than the amount required) to make up such deficiency.

### **Section 4.4. Sinking Fund.**

(a) *Payments Account-General.* Sufficient moneys shall be paid in periodic installments from the Revenue Fund into the Payments Account for the purpose of paying the Principal of and interest (excluding Additional Interest) on the Senior Bonds as they become due and payable and for the purpose of making Hedge Payments under Senior Hedge Agreements. Amounts held in the Payments Account shall be used solely to pay interest (excluding Additional Interest) and Principal of the Senior Bonds as the same become due and payable (whether at maturity or upon redemption) and to pay Hedge Payments under Senior Hedge Agreements when due. Amounts held in the Payments Account shall not be used to pay Additional Interest.

(b) *Interest.* Except as otherwise provided in any Series Ordinance authorizing Senior SRF Bonds, on or before the 30th day preceding each Interest Payment Date for Senior Bonds (or, in the case of Senior Bonds bearing interest at a Variable Rate, on or before the Business Day preceding each Interest Payment Date), the District shall deposit in the Payments Account an amount which, together with any other moneys already on deposit therein and available to make such payment and, in the case of Senior SRF Bonds, anticipated investment earnings on reserve funds held by a bond trustee relating to such Senior SRF Bonds, is not less than the interest (excluding Additional Interest) coming due on such Senior Bonds on such Interest Payment Date. The District shall also deposit and continue to deposit all Hedge Receipts under Senior Hedge Agreements in the Payments Account from time to time as and when received.

(c) *Principal.* Except as otherwise provided in any Series Ordinance authorizing Senior SRF Bonds, on or before the 30th day preceding each Principal Maturity Date for Senior Bonds, the District shall deposit in the Payments Account an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the Principal coming due on such Senior Bonds on such Principal Maturity Date.

(d) *Hedge Payments.* On or before the 30th day preceding each payment date for Hedge Payments under Senior Hedge Agreements, the District shall deposit in the Payments Account an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than such Hedge Payments coming due on such payment date.

(e) *Application of Moneys in Payments Account.* No further payments need be made into the Payments Account whenever the amount available in the Payments Account, if added to the amount then in the Debt Service Reserve Account (without taking into account any amount available to be drawn on any Reserve Account Credit Facility), is sufficient to retire all Senior Bonds then Outstanding and to pay all unpaid interest accrued and to accrue prior to such retirement. No moneys in the Payments Account shall be used or applied to the optional purchase or redemption of Senior Bonds prior to maturity unless: (i) provision shall have been made for the payment of all of the Senior Bonds; or (ii) such moneys are applied to the purchase and cancellation of Senior Bonds which are subject to mandatory redemption on the next mandatory redemption date, which falls due within 12 months, such Senior Bonds are purchased at a price not more than would be required for mandatory redemption, and such Senior Bonds are cancelled upon purchase; or (iii) such moneys are applied to the purchase and cancellation of Senior Bonds at a price less than the amount of Principal which would be payable on such Senior Bonds, together with interest accrued through the date of purchase, and such Senior Bonds are cancelled upon purchase; or (iv) such moneys are in excess of the then required balance of the Payments Account and are applied to redeem a part of the Senior Bonds Outstanding on the next succeeding redemption date for which the required notice of redemption may be given.

(f) *Debt Service Reserve Account.* Upon the issuance of the Series 2004A Bonds, the District shall deposit into the Debt Service Reserve Account the amount specified in **Section 11.2**. There shall be deposited into the Debt Service Reserve Account the amounts specified in Series Ordinances with respect to Senior Bonds. Notwithstanding the foregoing, there shall be no deposit into the Debt Service Reserve Account with respect to any SRF Bonds nor shall the Debt Service Reserve Account secure any SRF Bonds. After the issuance of any Senior Bonds, the increase in the amount of the Debt Service Reserve Requirement resulting from the issuance of such Senior Bonds shall be accumulated, to the extent not covered by deposits from Bond proceeds or funds on hand, over a period not exceeding 61 months from the date of delivery of such Senior Bonds in monthly deposits ("Accumulation Payments"), none of which is less than 1/60 of the amount to be accumulated. The balance of the Debt Service Reserve Account shall be maintained at an amount equal to the Debt Service Reserve Requirement (or such lesser amount that is required to be accumulated in the Debt Service Reserve

Account in connection with the periodic accumulation to the Debt Service Reserve Requirement after the issuance of Senior Bonds or upon the failure of the District to provide a substitute Reserve Account Credit Facility in certain events). There shall be transferred from the Revenue Fund on a pro rata basis (1) to the Debt Service Reserve Account the amount necessary to restore, as further described below, the amount of cash and securities in the Debt Service Reserve Account to an amount equal to the difference between (a) the Debt Service Reserve Requirement (or such lesser monthly amount that is required to be deposited into the Debt Service Reserve Account after the issuance of Senior Bonds or upon the failure of the District to provide a substitute Reserve Account Credit Facility in certain events) and (b) the portion of the required balance of the Debt Service Reserve Account satisfied by means of a Reserve Account Credit Facility, and (2) to any Reserve Account Credit Facility Provider the amount necessary to reinstate any Reserve Account Credit Facility which has been drawn down. Whenever for any reason the amount in the Payments Account is insufficient to pay all interest or Principal becoming due on the Senior Bonds within the next seven days (or, in the case of Senior Bonds bearing interest at a Variable Rate, on the next Business Day), the District shall make up any deficiency by transfers *first* from the Renewal and Extension Fund and *second* from the funds and accounts of the District relating to Subordinate Bonds which are not Subordinate SRF Bonds. Whenever, on the date that such interest or Principal is due, there are insufficient moneys in the Payments Account available to make such payment, the District shall, without further instructions, apply so much as may be needed of the moneys in the Debt Service Reserve Account to prevent default in the payment of such interest or Principal, with priority to interest payments. Whenever by reason of any such application or otherwise (other than required Accumulation Payments), the amount remaining to the credit of the Debt Service Reserve Account is less than the amount then required to be in the Debt Service Reserve Account, such deficiency shall be remedied by monthly deposits ("Replenishment Payments") from the Revenue Fund, to the extent funds are available in the Revenue Fund for such purpose after all required transfers set forth above have been made.

The District may elect to satisfy in whole or in part the Debt Service Reserve Requirement by means of a Reserve Account Credit Facility, subject to the following requirements: (A) the Reserve Account Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the then current Rating on the related series of Senior Bonds (or, in the case of a series of Senior Bonds supported by a Credit Facility, the underlying rating on such Senior Bonds); (B) the District shall not secure any obligation to the Reserve Account Credit Facility Provider by a lien equal to or superior to the lien granted to the related series of Senior Bonds; (C) each Reserve Account Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the related series of Senior Bonds) and shall entitle the District to draw upon or demand payment and receive the amount so requested in immediately available funds on the date of such draw or demand; (D) the Reserve Account Credit Facility shall permit a drawing by the District for the full stated amount in the event (i) the Reserve Account Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Senior Bonds, and (ii) the District fails to satisfy the Debt Service Reserve Requirement by the deposit to the Debt Service Reserve Account of cash, obligations, a substitute Reserve Account Credit Facility, or any combination thereof, on or before the date of such expiration or termination; (E) if the Rating issued by the Rating Agency to the Reserve Account Credit Facility Provider is withdrawn or reduced below the Rating assigned to the related series of Senior Bonds immediately prior to such action by the Rating Agency, the District shall provide a substitute Reserve Account Credit Facility within sixty (60) days after such rating change, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; (F) if the Reserve Account Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the District shall provide a substitute Reserve Account Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly deposits commencing not later

than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; and (G) the prior written consent of the Credit Facility Provider, as to the provider and the structure of the Reserve Account Credit Facility, shall be obtained by the District. If the events described in either clauses (E) or (F) above occur, the District shall not relinquish the Reserve Account Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Account Credit Facility or any combination thereof. Any amount received from the Reserve Account Credit Facility shall be deposited directly into the Payments Account, and such deposit shall constitute the application of amounts in the Debt Service Reserve Account. Repayment of any draw-down on the Reserve Account Credit Facility (other than repayments which reinstate the Reserve Account Credit Facility) and any interest or fees due the Reserve Account Credit Facility Provider under such Reserve Account Credit Facility shall be secured by a lien on the Pledged Revenues subordinate to payments into the Sinking Fund and the Rebate Fund and payments to any Credit Facility Provider securing Senior Bonds.

Any such Reserve Account Credit Facility shall be pledged to the benefit of the owners of all of the Senior Bonds. The District reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the Bond Ordinance without the consent of any of the owners of the Bonds in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment shall not, in the written opinion of Bond Counsel filed with the District, impair or reduce the security granted to the owners of Senior Bonds or any of them.

**Section 4.5. Renewal and Extension Fund.** In addition to the deposits to be made to the Renewal and Extension Fund pursuant to **Section 4.3**, the District shall deposit in the Renewal and Extension Fund all termination payments received under any Hedge Agreements. All sums accumulated and retained in the Renewal and Extension Fund shall be used first to prevent default in the payment of interest on or Principal of the Senior Bonds when due and then shall be applied by the District from time to time, as and when the District shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the District in its sole discretion: (a) for the purposes for which moneys held in the Revenue Fund may be applied under **Section 4.3**, (b) to pay any amounts which may then be due and owing under any Hedge Agreement (including termination payments, fees, expenses, and indemnity payments), (c) to pay any governmental charges and assessments against the System or any part thereof which may then be due and owing, (d) to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the System deemed necessary by the District (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), (e) to acquire Senior Bonds by redemption or by purchase in the open market at a price not exceeding the callable price as provided and in accordance with the terms and conditions of the Bond Ordinance, which Senior Bonds may be any of the Senior Bonds, prior to their respective maturities, and when so used for such purposes the moneys shall be withdrawn from the Renewal and Extension Fund and deposited into the Payments Account for the Senior Bonds to be so redeemed or purchased and (f) for any other purpose of the District. Payments for the purposes set forth in clause (e) of the preceding sentence are not "required payments" described in **Section 6.1.2(d)**.

**Section 4.6. Deposits and Security of Funds and Accounts.** All moneys in the funds and accounts established under the Bond Ordinance, except those funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, shall be held by the District in one or more Depositories qualified for use by the District. Uninvested moneys shall, at least to the extent not guaranteed by the Federal Deposit Insurance Corporation, be secured to the fullest extent required by the laws of the State for the security of public funds.

**Section 4.7. Investment of Moneys.** Moneys in the funds and accounts established under the Bond Ordinance, except those funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, shall be invested and reinvested in Permitted Investments bearing interest at the highest rates reasonably available (except to the extent that a restricted yield is required or advisable under Section 148 of the Code) and containing such maturities as are deemed suitable by the District; provided, however, that without the prior written consent of the Credit Facility Provider, investments of moneys in the Debt Service Reserve Account shall not have maturities extending beyond five years. Investment of moneys in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds shall be as set forth in such Series Ordinance.

Investment Earnings in each fund and account (except the Debt Service Reserve Account) shall be retained therein. Investment Earnings from the investment of moneys in the Debt Service Reserve Account shall be retained in the Debt Service Reserve Account at all times the balance is less than the Debt Service Reserve Requirement; thereafter and at all times the balance of the Debt Service Reserve Account is equal to or greater than the Debt Service Reserve Requirement, such Investment Earnings shall be deposited in the Payments Account.

The Series Ordinance authorizing the issuance of any Subordinate Bonds shall specify any maturity limitations and allocations of Investment Earnings on investments of moneys in the funds and accounts relating to such Subordinate Bonds.

Moneys in each of such funds shall be accounted for as a separate and special fund apart from all other District funds, provided that investments of moneys therein may be made in a pool of investments together with other moneys of the District so long as sufficient Permitted Investments in such pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions.

**Section 4.8. Valuation of Investments.** All investments made under the Bond Ordinance shall, for purposes of the Bond Ordinance, be valued at fair market value on the 45th day (or the next succeeding Business Day if such 45th day is not a Business Day) prior to each Interest Payment Date. The valuation of the investment of moneys in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds shall be as set forth in such Series Ordinance.

**Section 4.9. Application of Excess in Sinking Fund.** Whenever at the end of each Fiscal Year the amount of moneys in any account of the Sinking Fund exceeds the amount then currently required to be held therein, the excess shall be transferred to the Revenue Fund.

**Section 4.10. Disposition of Moneys After Payment of Bonds.** Any amounts remaining in any fund or account established under the Bond Ordinance after payment in full of the Principal of, redemption premium, if any, and interest on the Bonds (or after provision for payment thereof has been made), the fees, charges, and expenses of the Paying Agent and Bond Registrar, all amounts owing to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider, and all other amounts required to be paid under the Bond Ordinance (including amounts required to be paid into the Rebate Fund), shall be promptly paid to the District. All amounts remaining in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, after the payment in full thereof as provided in such Series Ordinance, shall be paid as set forth in such Series Ordinance.

[End of Article IV]

## ARTICLE V

### SENIOR BONDS AND SUBORDINATE BONDS

**Section 5.1. No Prior Lien Bonds nor Senior Bonds Except as Permitted in the Bond Ordinance.** All Senior Bonds shall have complete parity of lien on the Pledged Revenues despite the fact that any of the Senior Bonds may be delivered at an earlier date than any other of the Senior Bonds. The District may issue Senior Bonds in accordance with the Bond Ordinance, but the District shall issue no other obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues or any part thereof having priority over or, except as permitted in the Bond Ordinance, on a parity with the Series 2004A Bonds.

**Section 5.2. Refunding Bonds.** Any or all of the Senior Bonds may be refunded prior to maturity, upon redemption in accordance with their terms, or with the consent of the owners of such Senior Bonds, and the refunding Bonds so issued shall constitute Senior Bonds, if:

**5.2.1.** The District shall have obtained a report from an Independent Certified Public Accountant or a Financial Advisor demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Bonds on a present value basis.

**5.2.2.** As an alternative to, and in lieu of, satisfying the requirements of **Section 5.2.1**, all Outstanding Senior Bonds are being refunded under arrangements which immediately result in making provision for the payment of the refunded Bonds.

**5.2.3.** The requirements of **Sections 5.3.5** and **5.3.7** are met with respect to such refunding Bonds.

**Section 5.3. Senior Bonds.** Bonds (including refunding Bonds which do not meet the requirements of **Section 5.2**) may also be issued on a parity with the Series 2004A Bonds pursuant to a Series Ordinance, and the Bonds so issued shall constitute Senior Bonds, if all of the following conditions are satisfied:

**5.3.1.** There shall have been filed with the District either:

(a) a report by an Independent Certified Public Accountant to the effect that the historical Net Operating Revenues and Investment Earnings for a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Senior Bonds were equal to at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds, or

(b) a report by a Consultant to the effect that the forecasted Net Operating Revenues and Investment Earnings for each Fiscal Year in the Forecast Period are expected to equal at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds.

The report by the Independent Certified Public Accountant that is required by **Section 5.3.1(a)** may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System, adopted prior to the date of delivery of the proposed Senior Bonds and not fully reflected in the historical Net Operating Revenues actually received during such 12-month period. Such pro forma adjustments shall be based upon a report of a Consultant as to the amount of Operating Revenues which would have been received during such 12-month period had the new rate schedule been in effect throughout such 12-month period.

The report by the Consultant that is required by **Section 5.3.1(b)** may **not** take into consideration any rate schedule to be imposed in the future, unless such rate schedule has been adopted by ordinance of the Governing Body. Such rate schedule adopted by ordinance may contain, however, future effective dates.

**5.3.2.** The District shall have received, at or before issuance of the Senior Bonds, a report from an Independent Certified Public Accountant to the effect that the payments required to be made into each account of the Sinking Fund have been made and the balance in each account of the Sinking Fund is not less than the balance required by the Bond Ordinance as of the date of issuance of the proposed Senior Bonds.

**5.3.3.** Except with respect to Senior SRF Bonds, the Series Ordinance authorizing the proposed Senior Bonds must require (i) that the amount to be accumulated and maintained in the Debt Service Reserve Account be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) that the amount of such increase be deposited in such account on or before the date and at least as fast as specified in **Section 4.4(f)**.

**5.3.4.** The Series Ordinance authorizing the proposed Senior Bonds must require the proceeds of such proposed Senior Bonds to be used solely to make capital improvements to the System, to fund interest on the proposed Senior Bonds, to acquire existing or proposed sanitary sewer utilities, to refund other obligations issued for such purposes (whether or not such refunding Bonds satisfy the requirements of **Section 5.2**), and to pay expenses incidental thereto and to the issuance of the proposed Senior Bonds.

**5.3.5.** If any Senior Bonds would bear interest at a Variable Rate, the Series Ordinance under which such Senior Bonds are issued shall provide a maximum rate of interest per annum which such Senior Bonds may bear.

**5.3.6.** The Chief Officer shall have certified, by written certificate dated as of the date of issuance of the Senior Bonds, that the District is in compliance with all requirements of the Bond Ordinance.

**5.3.7.** The District shall have received an opinion of Bond Counsel, dated as of the date of issuance of the Senior Bonds, to the effect that the Series Ordinance and any related Supplemental Ordinance authorizing the issuance of Senior Bonds have been duly adopted by the District.

**Section 5.4. Subordinate Bonds.**

(a) Bonds may also be issued on a subordinate basis to the Series 2004A Bonds and any other Senior Bonds pursuant to a Series Ordinance, and the Bonds so issued shall constitute Subordinate Bonds, if all of the following conditions are satisfied:

(1) There shall have been filed with the District either:

(i) a report by an Independent Certified Public Accountant to the effect that the historical Net Operating Revenues and Investment Earnings for a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Subordinate Bonds were equal to at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds, or

(ii) a report by a Consultant to the effect that the forecasted Net Operating Revenues and Investment Earnings for each Fiscal Year in the Forecast Period are expected to equal at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds.

The report by the Independent Certified Public Accountant that is required by **Section 5.4(a)(1)(i)** may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System, adopted prior to the date of delivery of the proposed Subordinate Bonds and not fully reflected in the historical Net Operating Revenues actually received during such 12-month period. Such pro forma adjustments shall be based upon a report of a Consultant as to the amount of Operating Revenues which would have been received during such 12-month period had the new rate schedule been in effect throughout such 12-month period.

The report by the Consultant that is required by **Section 5.4(a)(1)(ii)** may **not** take into consideration any rate schedule to be imposed in the future, unless such rate schedule has been adopted by ordinance of the Governing Body. Such rate schedule adopted by ordinance may contain, however, future effective dates.

(2) The Series Ordinance authorizing the Subordinate Bonds shall provide that such Subordinate Bonds shall be junior and subordinate in lien and right of payment to all Senior Bonds Outstanding at any time.

(3) The Series Ordinance authorizing the Subordinate Bonds shall establish funds and accounts for the moneys to be used to pay debt service on the Subordinate Bonds, to pay Hedge Payments under Subordinate Hedge Agreements, and to provide reserves therefor.

(4) The requirements of **Sections 5.3.4, 5.3.5, and 5.3.7** are met with respect to such Subordinate Bonds (as if such Bonds constituted Senior Bonds).



(b) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, or other similar proceedings in connection therewith, relative to the District or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the District, whether or not involving insolvency or bankruptcy, the owners of all Senior Bonds then Outstanding and related Qualified Hedge Providers shall be entitled to receive payment in full of all Principal and interest due on all such Senior Bonds in accordance with the provisions of the Bond Ordinance and related Hedge Payments in accordance with the provisions of the Senior Hedge Agreements before the owners of the Subordinate Bonds or related Qualified Hedge Providers are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance on account of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements.

(c) In the event that any of the Subordinate Bonds are declared due and payable before their expressed maturities because of the occurrence of an Event of Default (under circumstances when the provisions of paragraph (b) are not be applicable), no owners of Subordinate Bonds or related Qualified Hedge Providers may receive any accelerated payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements, until the owners of all Senior Bonds Outstanding and related Qualified Hedge Providers have received timely payments when due of all Principal of and interest on all such Senior Bonds and all Hedge Payments under related Senior Hedge Agreements.

(d) If any Event of Default shall have occurred and be continuing (under circumstances when the provisions of paragraph (b) are not applicable), the owners of all Senior Bonds then Outstanding and related Qualified Hedge Providers shall be entitled to receive payment in full of all Principal and interest then due on all such Senior Bonds and all Hedge Payments under related Senior Hedge Agreements before the owners of the Subordinate Bonds or related Qualified Hedge Providers are entitled to receive any Payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements.

(e) No owner of Senior Bonds or any related Qualified Hedge Provider shall be prejudiced in its right to enforce subordination of the Subordinate Bonds and Subordinate Hedge Agreements by any act or failure to act on the part of the District.

(f) The obligations of the District to pay to the owners of the Subordinate Bonds the Principal of, premium, if any, and interest thereon in accordance with their terms and to pay Hedge Payments to related Qualified Hedge Providers in accordance with the terms of the Subordinate Hedge Agreements shall be unconditional and absolute. Nothing in the Bond Ordinance shall prevent the owners of the Subordinate Bonds or related Qualified Hedge Providers from exercising all remedies otherwise permitted by applicable law or under the Bond Ordinance or the Subordinate Hedge Agreements upon default thereunder, subject to the rights contained in the Bond Ordinance of the owners of Senior Bonds and related Qualified Hedge Providers to receive cash, property, or securities otherwise payable or deliverable to the owners of the Subordinate Bonds and related Qualified Hedge Providers, and any Series Ordinance authorizing Subordinate Bonds may provide that, insofar as a trustee or paying agent for the Subordinate Bonds is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the Principal of, premium, if any, and interest on such Subordinate Bonds and Hedge Payments under Subordinate Hedge Agreements if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(g) Any series of Subordinate Bonds and related Subordinate Hedge Agreements may have such rank or priority with respect to any other series of Subordinate Bonds and related Subordinate Hedge Agreements as may be provided in the Series Ordinance authorizing such series of Subordinate Bonds and may contain such other provisions as are not in conflict with the provisions of the Bond Ordinance.

**Section 5.5. Accession of Subordinate Bonds and Related Subordinate Hedge Agreements to Senior Status.** By proceedings authorizing all or any Subordinate Bonds, the District may provide for the accession of such Subordinate Bonds and related Subordinate Hedge Agreements to the status of complete parity with the Senior Bonds and related Senior Hedge Agreements if, as of the date of accession, the conditions of **Section 5.3.1(a)**, **5.3.5**, and **5.3.6** are satisfied, on a basis which includes all Outstanding Senior Bonds and such Subordinate Bonds, and if on the date of accession:

**5.5.1.** the Debt Service Reserve Account contains an amount equal to the Debt Service Reserve Requirement computed on a basis which includes all Outstanding Senior Bonds and such Subordinate Bonds (but which excludes, in the case of both Outstanding Senior Bonds and such Subordinate Bonds, any SRF Bonds); and

**5.5.2.** the Payments Account contains the amount which would have been required to be accumulated therein on the date of accession if the Subordinate Bonds had originally been issued as Senior Bonds.

**Section 5.6. Adoption of Proceedings.** The District shall adopt a Series Ordinance authorizing the issuance of any additional Bonds and reciting that the requirements of this Article have been satisfied, and shall set forth in such proceedings, among other things, the date or dates such additional Bonds shall bear and the rate or rates of interest, interest payment date or dates, maturity date or dates, and redemption provisions with respect to such additional Bonds and any other matters applicable to such additional Bonds as the District may deem advisable.

Any such Series Ordinance shall restate and reaffirm, by reference, all of the applicable terms, conditions and provisions of the Bond Ordinance not modified by the Series Ordinance.

**Section 5.7. Proceedings Authorizing Additional Bonds.** No Series Ordinance authorizing the issuance of additional Bonds as permitted under this Article shall conflict with the terms and conditions of the Bond Ordinance, except to the extent that the Series Ordinance is adopted for one of the purposes set forth in **Section 10.1** and complies with the provisions of **Section 10.1** for the adoption of Supplemental Ordinances without the consent of Bondholders.

**Section 5.8. Applicability to Additional Bonds.** The provisions of the Bond Ordinance shall be construed as including and being applicable to any future series of Bonds, and any such Bonds shall be treated, unless otherwise specifically stated, as if they had been issued together with the Series 2004A Bonds and pursuant to the terms of this Master Bond Ordinance.

**Section 5.9. Credit Facilities and Hedge Agreements.** In connection with the issuance of any Bonds under the Bond Ordinance, the District may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal of, premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Facility Provider, or providing funds for the purchase of such Bonds by the District. In connection therewith the District shall enter into Credit Facility Agreements with such Credit Facility Providers providing for, among other things, (i) the payment of fees and expenses to such Credit Facility Providers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Bonds affected thereby;

and (iii) the security, if any, to be provided for the issuance of such Credit Facilities. The District may secure any Credit Facility by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the District in the applicable Series Ordinance. The District may in a Credit Facility Agreement agree to directly reimburse such Credit Facility Provider for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation shall be created for purposes of the Bond Ordinance until amounts are paid under such Credit Facility. Any such Reimbursement Obligation shall be deemed to be a part of the Bonds to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to Principal and interest payments with respect to such Bonds shall include Principal and interest (except for Additional Interest and Principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Bonds with the Credit Facility. All other amounts payable under the Credit Facility Agreement (including any Additional Interest and Principal amortization requirements with respect to the Reimbursement obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) shall be fully subordinate to the payment of debt service on the related class of Bonds. Any such Credit Facility shall be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Series Ordinance.

In connection with the issuance of any Bonds or at any time thereafter so long as such Bonds remain Outstanding, the District may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Bonds. The District shall authorize the execution, delivery, and performance of each Hedge Agreement in a Supplemental Ordinance, in which it shall designate the related Hedged Bonds. The District's obligation to pay Hedge Payments may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by **Section 4.1** to secure the related Hedged Bonds, or may be subordinated in lien and right of payment to the payment of the Bonds, as determined by the District.

**Section 5.10. Other Obligations.** The District expressly reserves the right, at any time, to adopt one or more other bond ordinances and reserves the right, at any time, to issue any other obligations not secured by the amounts pledged under the Bond Ordinance.

[End of Article V]

## ARTICLE VI

### GENERAL PROVISIONS

**Section 6.1. Rate Covenant.** Except as otherwise provided in **Section 6.4**, the District shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services, facilities, and commodities furnished by the System fully sufficient at all times to:

**6.1.1.** provide for 100% of the Expenses of Operation and Maintenance and for the accumulation in the Revenue Fund of a reasonable reserve therefor; and

**6.1.2.** produce Net Operating Revenues in each Fiscal Year which, together with Investment Earnings:

(a) will equal at least 125% of the Debt Service Requirement on all Senior Bonds then Outstanding for the year of computation and 115% of the Debt Service Requirement on all Bonds then Outstanding for the year of computation;

(b) will enable the District to make all required payments, if any, into the Debt Service Reserve Account and the Rebate Fund and to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider;

(c) will enable the District to accumulate an amount to be held in the Renewal and Extension Fund which, in the judgment of the District, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System; and

(d) will remedy all deficiencies in required payments into any of the funds and accounts established under the Bond Ordinance from prior Fiscal Years.

If the District fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of this Section, the owners of not less than 25% in aggregate Principal of the Bonds then Outstanding, without regard to whether any Event of Default shall have occurred, may institute and prosecute in any court of competent jurisdiction an appropriate action to compel the District to prescribe, fix, maintain, or collect such rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the requirements of this Section.

**Section 6.2. Maintenance of the System in Good Condition.** The District covenants that it will enforce reasonable rules and regulations governing the System and the operation thereof, that it will operate the System in an efficient and economical manner and will at all times maintain the System in good repair and in sound operating condition, that it will make all necessary repairs, renewals, and replacements to the System, and that it will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the System and the District's operation thereof.

**Section 6.3. Insurance.** With respect to the System, the District will carry adequate public liability, fidelity and property insurance, such as is maintained by similar utilities as the System.

The District shall indemnify itself against the usual hazards incident to the construction of any Project, and without in any way limiting the generality of the above, shall: (a) require each construction contractor and each subcontractor to furnish a bond, or bonds, of such type and in amounts adequate to assure the faithful performance of their contracts and the payment of all bills and claims for labor and material arising by virtue of such contracts; and (b) require each construction contractor or the subcontractor to maintain at all times until the completion and acceptance of the Project adequate compensation insurance for all of their employees and adequate public liability and property damage insurance for the full and complete protection of the District from any and all claims of every kind and character which may arise by virtue of the operations under their contracts, whether such operations be by themselves or by anyone directly or indirectly for them, or under their control.

All such policies shall be for the benefit of and made payable to the District and shall be on deposit with the District; provided, however, the District may elect to be a self-insurer with respect to any risks for which insurance is required under this **Section 6.3**. The cost of such insurance may be paid as an Expense of Operation and Maintenance.

All moneys received for losses under any such insurance policies, except public liability policies, are hereby pledged by the District as security for the Bonds until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by repairing the property damaged or replacing the property destroyed or by depositing the same in the Renewal and Extension Fund. Adequate provision for making good such loss and damage shall be made within 120 days from the date of the loss. Insurance proceeds not used in making such provision shall be deposited in the Renewal and Extension Fund on the expiration of such 120-day period. Such insurance proceeds shall be payable to the District by appropriate clause to be attached to or inserted in the policies.

**Section 6.4. No Sale, Lease or Encumbrance; Exceptions.** Except as expressly permitted in the Bond Ordinance, the District irrevocably covenants, binds, and obligates itself not to sell, lease, encumber, or in any manner dispose of the System as a whole or in part until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with **Article IX**.

The District shall have and hereby reserves the right to sell, lease, or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (i) such property is not necessary for the operation of the System; (ii) such property is not useful in the operation of the System; (iii) such property is not profitable in the operation of the System; or (iv) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Bondholders. All proceeds of any such sale, lease or other disposition shall be deposited in the Renewal and Extension Fund.

Prior to any such sale, lease or other disposition, there shall be filed with the District: (i) an opinion of Bond Counsel to the effect that such sale, lease or other disposition will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes (provided that such opinion shall not be required if the Chief Financial Officer determines that such portion of the System was not financed with the proceeds of any Tax-Exempt Bonds); and (ii) an opinion of a Consultant expressing the view that such sale, lease or other disposition will not result in any diminution of Net Operating Revenues to the extent that in any future Fiscal Year the Net Operating Revenues and Investment Earnings will be less than (A) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds to be Outstanding after such sale, lease or other disposition or (B) 115% of the Maximum Annual Debt Service Requirement on all Bonds to be Outstanding after such sale, lease or other disposition. In reaching this conclusion, the Consultant shall take into consideration such factors

as the Consultant may deem significant, including (i) anticipated diminution of Operating Revenues, (ii) anticipated increase or decrease in Expenses of Operation and Maintenance attributable to the sale, lease or other disposition, and (iii) reduction in the annual Debt Service Requirement attributable to the application of the proceeds of such sale, lease or other disposition to the provision for payment of Bonds theretofore Outstanding. Such sale, lease or other disposition may include a partial interest in a sanitary sewer facility owned or to be owned in whole or in part by the District.

The District reserves the right to transfer the System as a whole to any political subdivision or authority or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System, or any portion thereof, on behalf of the public, and which undertakes in writing, filed with the District, the District's obligations under the Bond Ordinance, provided that there shall be first filed with the District: (i) an opinion of Bond Counsel to the effect that such sale will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes; and (ii) an opinion of a Consultant expressing the view that such transfer will not result in any diminution of Net Operating Revenues to the extent that in any future Fiscal Year the Net Operating Revenues and Investment Earnings will be less than (A) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds to be Outstanding after such transfer or (B) 115% of the Maximum Annual Debt Service Requirement on all Bonds to be Outstanding after such transfer. In reaching this conclusion, the Consultant shall take into consideration such factors as the Consultant may deem significant, including any rate schedule adopted by the transferee political subdivision, authority, or agency.

Upon receipt of an opinion of Bond Counsel to the effect that such action will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, the District may enter into such management contracts and sale/leaseback agreements as the District may deem appropriate, and such management contracts and sale/leaseback agreements shall not constitute a sale, lease or other disposition within the meaning of this Section.

**Section 6.5. No Impairment of Rights.** The District shall not enter into any contract or contracts, nor take any action, the results of which might materially impair the rights of the Bondholders.

**Section 6.6. Satisfaction of Liens.** The District will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments, and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon the Pledged Revenues, as well as any lawful claims for labor, materials, or supplies which if unpaid might by law become a lien or charge upon the System or the Pledged Revenues or any part thereof or which might impair the security of the Bonds, except when the District in good faith contests its liability to pay the same.

**Section 6.7. Enforcement of Charges and Connections.** Except as otherwise determined in accordance with District policy and provided that such action or inaction will not materially impair the rights of the Bondholders, the District shall compel the prompt payment of rates, fees, and charges imposed for service rendered on every lot or parcel connected with the System, and to that end will vigorously enforce all of the provisions of any resolution or ordinance of the District having to do with sanitary sewer connections and with sanitary sewer charges, and all of the rights and remedies permitted the District under law. The District by this Section expressly covenants and agrees that such charges will be enforced and promptly collected to the full extent permitted by law, including the requirement for the making of reasonable deposits by customers of the System to the extent required by the District and the securing of injunctions against the disposition of sewage or industrial waste into the System by any premises delinquent in the payment of such charges.

None of the facilities or services afforded by the System will be furnished to any user without a reasonable charge being made therefor.

**Section 6.8. Payments.** All payments becoming due on the Bonds for Principal and interest shall be made by the District from the Pledged Revenues or, at the District's option, other legally available funds to the owners thereof when due in full, and all reasonable and authorized charges made by the Bond Registrar and any Paying Agent shall be paid by the District when due.

**Section 6.9. No Loss of Lien on Revenues.** The District shall not do, or omit to do, or permit to be done or to be omitted any matter or thing whatsoever whereby the lien of the Bond Ordinance on the Pledged Revenues or any part thereof might or could be lost or impaired.

**Section 6.10. Annual Budget.** The District agrees to adopt an Annual Budget for the System for each Fiscal Year in compliance with the Charter and the rate covenants as stated in **Section 6.1**.

**Section 6.11. Tax Provisions; Rebate Fund.** The District recognizes that the purchasers and owners of Tax-Exempt Bonds will have accepted the Tax-Exempt Bonds on, and paid for the Tax-Exempt Bonds a price which reflects, the understanding that interest on such Tax-Exempt Bonds is not included in the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes under laws in force at the time the Tax-Exempt Bonds shall have been delivered.

The District shall take any and all action which may be required from time to time in order to assure that interest on the Tax-Exempt Bonds shall remain excludable from the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes and shall refrain from taking any action which would adversely affect such status.

Prior to or contemporaneously with delivery of each series of Tax-Exempt Bonds, the Chief Financial Officer shall execute a certificate, in form satisfactory to Bond Counsel, on behalf of the District respecting the investment of the proceeds of such series of Tax-Exempt Bonds. Such certificate shall be a representation and certification of the District, and an executed copy thereof shall be delivered to the Bond Registrar. The District shall not knowingly invest or participate in the investment of any moneys held under the Bond Ordinance if such investment would cause interest on any Tax-Exempt Bonds to become included in gross income for federal income tax purposes.

The Chief Officer or Chief Financial Officer may also execute and deliver, on behalf of the District: (i) such agreements, filings, and other writings as may be necessary or desirable to cause or bind the District to comply with any requirements for rebate under Section 148(f) of the Code, or (ii) such certificate or other writing as may be necessary or desirable to qualify for exemption from such rebate requirements.

The District shall calculate, from time to time, as required in order to comply with the provisions of Section 148(f) of the Code, the amounts required to be rebated (including penalties) to the United States and shall deposit or cause to be deposited into the Rebate Fund any and all of such amounts promptly following a determination of any such amount.

The District shall direct the Depository of the Rebate Fund to keep all moneys held therein invested in Permitted Investments. To the extent and at the times required in order to comply with Section 148(f) of the Code, the District may withdraw funds from the Rebate Fund for the purpose of making rebate payments (including penalties) to the United States as required by Section 148(f) of the Code. Except as otherwise specifically provided in this Section, moneys in the Rebate Fund may not be withdrawn from the Rebate Fund for any other purpose.

All earnings on investments held in the Rebate Fund shall be retained in the Rebate Fund and shall become part of the Rebate Fund. Moneys held in the Rebate Fund, including the Investment Earnings thereon, if any, shall not be subject to a pledge in favor of the owners of the Bonds under the Bond Ordinance and may not be used to pay amounts due on the Bonds or under any Credit Facility Agreements or Hedge Agreements or amounts required for the operation, maintenance, enlargement, or extension of the System.

The District shall have the right to create special accounts, from time to time, in the Rebate Fund as it may deem desirable.

If the District shall deliver to the Depository of the Rebate Fund a certificate, signed by the Chief Officer or Chief Financial Officer, certifying that the District has filed all reports required to be filed with the United States pursuant to Section 148(f) of the Code and has made all payments required to be made to the United States pursuant to Section 148(f) of the Code, then the Depository of the Rebate Fund shall transfer to, or upon the order of, the District all moneys or investments remaining in the Rebate Fund, and such moneys and investments may be used by the District for any lawful purpose.

The District may employ any rebate analyst or other expert to perform any of the District's duties with respect to the Rebate Fund, other than payment of moneys into the Rebate Fund.

The District hereby covenants and agrees that it will not use or permit any use of the proceeds of the sale of any Tax-Exempt Bonds, or any other moneys arising out of the ownership or operation of the System or otherwise, or use or permit the use of any of the facilities being financed or refinanced thereby or any other portion of the System, which would cause any Tax-Exempt Bonds or any portion thereof to be "private activity bonds" within the meaning of Section 141 of the Code.

The covenants, certifications, representations, and warranties contained in this Section shall survive payment in full or provision for payment in full of the Tax-Exempt Bonds.

**Section 6.12. Payments to District Must be in Money.** The District shall require all payments to be made to the District for wastewater service charges to be made in lawful moneys of the United States of America.

**Section 6.13. Authorization of Series 2004A Registrar and Paying Agent Agreement.** The form, terms, and conditions and the execution, delivery, and performance of the Series 2004A Registrar and Paying Agent Agreement, which has been filed with the District, are hereby approved and authorized. The Series 2004A Registrar and Paying Agent Agreement shall be in substantially the form attached hereto as **Exhibit E** with such changes, corrections, deletions, insertions, variations, additions, or omissions as may be approved by the Chief Officer, whose approval thereof shall be conclusively evidenced by the execution of such contract. The Chief Officer is hereby authorized and directed to execute on behalf of the District the Series 2004A Registrar and Paying Agent Agreement, and the Attesting Officer is hereby authorized and directed to affix thereto and attest the seal of the District, upon proper execution and delivery of the other party thereto, provided, that in no event shall any such attestation or affixation of the seal of the District be required as a prerequisite to the effectiveness thereof, and the Chief Officer and Attesting Officer are authorized and directed to deliver such contract on behalf of the District.

**Section 6.14. Authorization of Continuing Disclosure Agreement.** The form, terms, and conditions and the execution, delivery, and performance of the Continuing Disclosure Agreement with respect to the Series 2004A Bonds, which has been filed with the District, are hereby approved and



authorized. The Continuing Disclosure Agreement relating to the Series 2004A Bonds shall be in substantially the form attached hereto as **Exhibit B** with such changes, corrections, deletions, insertions, variations, additions, or omissions as may be approved by the Chief Officer or Chief Financial Officer, whose approval thereof shall be conclusively evidenced by the execution of such contract. The Chief Officer or Chief Financial Officer is hereby authorized and directed to execute on behalf of the District the Continuing Disclosure Agreement. The District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Bond Ordinance, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a default or an Event of Default under the Bond Ordinance. It is expressly provided, however, that any Beneficial Owner of the Series 2004A Bonds may take such action, to the extent and in such manner as may be allowed by applicable law, as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this **Section 6.14**.

[End of Article VI]

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

**Section 7.1. Events of Default.** An "Event of Default" shall mean the occurrence of any one or more of the following:

**7.1.1.** failure to pay the Principal or redemption price of any Bond when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

**7.1.2.** failure to pay any installment of interest on any Bond when and as such installment of interest shall become due and payable; or

**7.1.3.** default shall be made by the District in the performance of any obligation in respect to the Debt Service Reserve Account and such default shall continue for 30 days thereafter; or

**7.1.4.** the District shall (1) admit in writing its inability to pay its debts generally as they become due, (2) file a petition in bankruptcy or take advantage of any insolvency act, (3) make an assignment for the benefit of its creditors, (4) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (5) be adjudicated a bankrupt; or

**7.1.5.** a court of competent jurisdiction shall enter an order, judgment, or decree appointing a receiver of the System or any of the funds or accounts established in **Article IV** or **Article XII**, or of the whole or any substantial part of the District's property, or approving a petition seeking reorganization of the District under the federal bankruptcy laws or any other applicable law or statute of the United States of America or the State, and such order, judgment, or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

**7.1.6.** under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of any of the funds or accounts established in **Article IV** or **Article XII**, or of the whole or any substantial part of the District's property, and such custody or control shall not be terminated or stayed within 60 days from the date of assumption of such custody or control; or

**7.1.7.** the District shall fail to perform any of the other covenants, conditions, agreements, and provisions contained in the Bonds or in the Bond Ordinance (other than in **Section 6.14**) on the part of the District to be performed, and such failure shall continue for 90 days after written notice specifying such failure and requiring it to be remedied shall have been given to the District by the owners of not less than, or a Credit Facility Provider securing not less than, 25% in aggregate Principal of the Bonds then Outstanding; provided, however, if the failure stated in such notice can be corrected, but not within such 90-day period, the District shall have 180 days after such written notice to cure such default if corrective action is instituted by the District within such 90-day period and diligently pursued until the failure is corrected; or

**7.1.8.** (a) an Event of Default relating to the non-payment of the Principal or redemption price or installment of interest shall occur under any Series Ordinance; or

(b) an Event of Default, other than as described in **Section 7.1.8(a)**, shall occur under any Series Ordinance; or

**7.1.9.** failure by any Credit Facility Provider to pay the purchase price of Bonds under any Credit Facility then in effect; or

**7.1.10.** delivery to the District by a Credit Facility Provider of written notice stating that an "Event of Default" has occurred under any Credit Facility Agreement; or

**7.1.11.** delivery to the District by a Qualified Hedge Provider of written notice stating that an "Event of Default" has occurred under any Senior Hedge Agreement.

**Section 7.2. Remedies.**

(a) Upon the happening and continuance of any Event of Default specified in **Section 7.1.1, 7.1.2 or 7.1.8(a)** as to any Senior Bond, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of all Senior Bonds then Outstanding (other than Senior Bonds secured by a Credit Facility), the Principal of all Senior Bonds then Outstanding (other than Senior Bonds secured by a Credit Facility) shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on such Senior Bonds shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds to the contrary notwithstanding. With respect to any Senior Bonds secured by a Credit Facility, only the applicable Credit Facility Provider may give written demand to declare the Principal of and accrued interest on such Senior Bonds to be immediately due and payable.

Upon the happening and continuance of any Event of Default specified in **Section 7.1.9**, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of the Senior Bonds of the affected series then Outstanding, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding.

Upon the happening and continuance of any Event of Default specified in **Section 7.1.10**, then and in every such case, upon the written demand of the applicable Credit Facility Provider, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding.

Upon the happening and continuance of any Event of Default specified in **Section 7.1.11**, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of the Senior Bonds of the affected series then Outstanding, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding. Notwithstanding the foregoing, with respect to any Senior Bonds secured by a Credit Facility, only the applicable Credit Facility Provider may give written demand to declare the Principal of and accrued interest on such Senior Bonds to be immediately due and payable.

Upon any declaration of acceleration under the Bond Ordinance, the District shall immediately draw under the applicable Credit Facility to the extent permitted by the terms thereof that amount which, together with other amounts on deposit under the Bond Ordinance, shall be sufficient to pay the Principal of and accrued interest on the related Senior Bonds so accelerated.

The above provisions, however, are subject to the condition that if, after the Principal of the Senior Bonds shall have been so accelerated, all arrears of interest upon such Bonds, and interest on overdue installments of interest at the rate on such Bonds, shall have been paid by the District, the Principal of such Bonds which has matured (except the Principal of any Bonds not then due by their terms except as provided above) have been paid, and the District shall also have performed all other things in respect to which it may have been in default under the Bond Ordinance, and, if applicable, each Credit Facility Provider shall have reinstated the Credit Facility in the full amount available to be drawn thereunder by written notice to the District, then, in every such case, the owners of more than 50% in aggregate Principal of all Senior Bonds then Outstanding by written notice to the District, may waive such default and its consequences and such waiver shall be binding upon the District and upon all owners of the Bonds; but no such waiver shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. Notwithstanding the foregoing, as long as the applicable Credit Facility Provider shall not then continue to dishonor draws under the Credit Facility, no Event of Default with respect to the related Senior Bonds may be waived without the express written consent of such Credit Facility Provider.

(b) Upon the happening and continuance of any Event of Default, any owner of Bonds then Outstanding affected by the Event of Default or a duly authorized agent for such owner may proceed to protect and enforce its rights and the rights of the owners of Bonds by such of the following remedies as it shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action, or proceeding at law or in equity, enforce all rights of the owners of Bonds, including the right to require the appointment of a receiver for the System or to exercise any other right or remedy provided by the Constitution and laws of the State and the Charter and to require the District to perform any other covenant or agreement contained in the Bond Ordinance;

(2) by action or suit in equity, require the District to account as if it were the trustee of an express trust for the owners of the Bonds;

(3) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; or

(4) by pursuing any other available remedy at law or in equity or by statute.

In the enforcement of any remedy under the Bond Ordinance, owners of Senior Bonds shall be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for Principal, redemption premium, interest, or otherwise, under any provision of the Bond Ordinance or of the Senior Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Senior Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Ordinance and under such Senior Bonds, without prejudice to any other right or remedy of the owners of Senior Bonds, and to recover and enforce a judgment or decree against the District for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

If no Senior Bonds are then Outstanding or if no Event of Default with respect to any Senior Bonds has then occurred and is continuing, in the enforcement of any remedy under the Bond Ordinance, owners of Subordinate Bonds shall be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for Principal, redemption premium, interest, or otherwise, under any provision of the Bond Ordinance or of the Subordinate Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Subordinate Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Ordinance and under such Subordinate Bonds, without prejudice to any other right or remedy of the owners of Subordinate Bonds, and to recover and enforce a judgment or decree against the District for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. Nothing in this paragraph is intended to diminish the rights of the owners of Subordinate Bonds described in clauses (1) through (4) of subsection (b) of this Section.

**Section 7.3. Remedies Cumulative.** No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity or by statute.

**Section 7.4. Waiver of Default.** No delay or omission of any Bondholder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein, and every power and remedy given by the Bond Ordinance to the Bondholders may be exercised from time to time and as often as may be deemed expedient.

**Section 7.5. Application of Moneys After Default.** If an Event of Default occurs and shall not have been remedied, the District or a receiver appointed for the purpose shall apply all Pledged Revenues as follows and in the following order of priority:

**7.5.1. Expenses of Receiver and Paying Agent and Bond Registrar** - to the payment of the reasonable and proper charges, expenses, and liabilities of any receiver and the Paying Agent and Bond Registrar under the Bond Ordinance;

**7.5.2. Expenses of Operation and Maintenance and Renewals and Replacements** - to the payment of all reasonable and necessary Expenses of Operation and Maintenance and major renewals and replacements to the System;

**7.5.3. Principal or Redemption Price, Interest, and Hedge Payments Relating to Senior Bonds** - to the payment of the interest and Principal or redemption price then due on the Senior Bonds and Hedge Payments then due under Senior Hedge Agreements, as follows:

(a) Unless the Principal of all the Senior Bonds shall have become due and payable, all such moneys shall be applied as follows:

**first:** To the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be 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 thereto, without any

discrimination or preference. If some of the Senior Bonds bear interest payable at different intervals or upon different dates than the semiannual Interest Payment Dates specified for the Series 2004A Bonds, and if at any time moneys from the Debt Service Reserve Account must be used to pay any such interest, the moneys in the Debt Service Reserve Account shall be applied (to the extent necessary) to the payment of all interest becoming due on the dates upon which such interest is payable to and including the next succeeding semiannual Interest Payment Date specified for the Series 2004A Bonds. After such date, moneys in the Debt Service Reserve Account plus any other moneys available in the Payments Account shall be set aside for the payment of interest on Senior Bonds of each class (a class consisting of all Senior Bonds payable as to interest on the same dates) pro rata among Senior Bonds of the various classes on a daily basis so that there shall accrue to each owner of a Senior Bond throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Senior Bond as shall so accrue to every other owner of a Senior Bond during such Fiscal Year. As to any Capital Appreciation Bond which is a Senior Bond, such interest shall accrue on the Accreted Value of such Bond and be set aside on a daily basis until the next compounding date for such Bonds, whereupon it shall be paid to the owner of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as Principal of such Bond.

**second**: To the payment of the Hedge Payments due under any Senior Hedge Agreements pursuant to their terms.

**third**: To the payment to the persons entitled thereto of the unpaid Principal of any of the Senior Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of **Article IX**), in the order of their due dates, with interest upon such Senior Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Senior 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 then to the payment of such Principal, ratably according to the amount of such Principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Senior Bonds mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates than the annual Principal Maturity Dates specified for the Series 2004A Bonds, and if at any time moneys from the Debt Service Reserve Account must be used to pay any such Principal becoming due, the moneys in the Debt Service Reserve Account not required to pay interest under paragraph **first** above shall be applied (to the extent necessary) to the payment of all Principal becoming due on the dates upon which such Principal is payable to and including the final annual Principal Maturity Date specified for the Series 2004A Bonds. After such date, moneys in the Debt Service Reserve Account not required to pay interest plus any other moneys available in the Payments Account shall be set aside for the payment of Principal of Senior Bonds of each class (a class consisting of all Senior Bonds payable as to Principal on the same date) pro rata among Senior Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total Principal payable on each such Senior Bond as shall be

equal among all classes of Senior Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Capital Appreciation Bond which is a Senior Bond (except for interest which shall have been paid under paragraph first above) shall be treated as Principal for purposes of this paragraph third.

**fourth**: To the payment of the redemption premium on and the Principal of any Senior Bonds called for optional redemption pursuant to their terms.

(b) If the Principal of all the Senior Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Senior Bonds, with interest thereon as aforesaid, and due and unpaid Hedge Payments under Senior Hedge Agreements, without preference or priority of Principal over interest or Hedge Payments or of interest over Principal or Hedge Payments, or of Hedge Payments over Principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bonds, or of any such Hedge Payment over any other such Hedge Payment, ratably, according to the amounts due respectively for Principal, interest, and Hedge Payments, to the persons entitled thereto without any discrimination or preference.

**7.5.4. Principal or Redemption Price, Interest, and Hedge Payments Relating to Subordinate Bonds and Hedge Contingency Payments** - to the payment of the interest and Principal or redemption price then due on the Subordinate Bonds, Hedge Contingency Payments and Hedge Payments then due under Subordinate Hedge Agreements, as follows:

(a) Unless the Principal of all the Subordinate Bonds shall have become due and payable, all such moneys shall be applied as follows:

**first**: To the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Subordinate Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be 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 thereto, without any discrimination or preference. If some of the Subordinate Bonds bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such interest, the moneys in the Debt Service Reserve Account shall be applied (to the extent necessary) to the payment of all interest becoming due on the dates upon which such interest is payable to and including the next succeeding semiannual Interest Payment Date. After such date, moneys in the Debt Service Reserve Account plus any other moneys available in the Payments Account shall be set aside for the payment of interest on Subordinate Bonds of each class (a class consisting of all Subordinate Bonds payable as to interest on the same dates) pro rata among Subordinate Bonds of the various classes on a daily basis so that there shall accrue to each owner of a Subordinate Bond throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Subordinate Bond as shall so accrue to every other owner of a Subordinate Bond during such Fiscal Year. As to any Capital Appreciation Bond which is a Subordinate Bond, such interest shall accrue on the Accreted Value of such Bond and be set aside on

a daily basis until the next compounding date for such Bonds, whereupon it shall be paid to the owner of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as Principal of such Bond.

**second:** To the payment of the Hedge Payments due under any Subordinate Hedge Agreements pursuant to their terms.

**third:** To the payment of Hedge Contingency Payments, if any, due under any Senior Hedge Agreements pursuant to their terms and to the persons entitled thereto of the unpaid Principal of any of the Subordinate Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Subordinate Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of **Article IX**), in the order of their due dates, with interest upon such Subordinate Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full such Hedge Contingency Payments and Subordinate Bonds due on any particular date, together with such interest, then to the payment first of such Hedge Contingency Payments and interest, ratably according to the amount of such interest and Hedge Contingency Payments due on such date, and then to the payment of such Principal, ratably according to the amount of such Principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Subordinate Bonds mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such Principal becoming due, the moneys in the Debt Service Reserve Account not required to pay interest under paragraph **first** above shall be applied (to the extent necessary) to the payment of all Principal becoming due on the dates upon which such Principal is payable to and including the final annual Principal Maturity Date. After such date, moneys in the Debt Service Reserve Account not required to pay interest plus any other moneys available in the Payments Account shall be set aside for the payment of Principal of Subordinate Bonds of each class (a class consisting of all Subordinate Bonds payable as to Principal on the same date) pro rata among Subordinate Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total Principal payable on each such Subordinate Bond as shall be equal among all classes of Subordinate Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Capital Appreciation Bond which is a Subordinate Bond (except for interest which shall have been paid under paragraph **first** above) shall be treated as Principal for purposes of this paragraph **third**.

**fourth:** To the payment of Hedge Contingency Payments, if any, due under any Subordinate Hedge Agreements pursuant to their terms.

**fifth:** To the payment of the redemption premium on and the Principal of any Subordinate Bonds called for optional redemption pursuant to their terms.



(b) If the Principal of all the Subordinate Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Subordinate Bonds, with interest thereon as aforesaid, and due and unpaid Hedge Contingency Payments and Hedge Payments under Subordinate Hedge Agreements, without preference or priority of Principal over interest, Hedge Contingency Payments or Hedge Payments or of interest over Principal, Hedge Contingency Payments or Hedge Payments, or of Hedge Contingency Payments over Principal, Hedge Payments or interest, or of Hedge Payments over Principal, interest or Hedge Contingency Payments, or of any installment of interest over any other installment of interest, or of any Subordinate Bond over any other Subordinate Bonds, or of any such Hedge Contingency Payment or any other such Hedge Contingency Payment or of any such Hedge Payment over any other such Hedge Payment, ratably, according to the amounts due respectively for Principal, interest, Hedge Contingency Payments and Hedge Payments, to the persons entitled thereto without any discrimination or preference.

**Section 7.6. Rights of Credit Facility Provider.** Notwithstanding any other provision of the Bond Ordinance, in the event that the District shall draw under a Credit Facility any amount for the payment of Principal of or interest on any Bonds, then upon such payment the related Credit Facility Provider shall succeed to and become subrogated to the rights of the recipients of such payments and such Principal or interest shall be deemed to continue to be unpaid and Outstanding for all purposes and shall continue to be fully secured by the Bond Ordinance until the Credit Facility Provider, as successor and subrogee, has been paid all amounts owing in respect of such subrogated payments of Principal and interest. Such rights shall be limited and evidenced by having the District note the Credit Facility Provider's rights as successor and subrogee on its records, and the District shall, upon request, deliver to the Credit Facility Provider (i) in the case of interest on the Bonds, an acknowledgment of the Credit Facility Provider's ownership of interest to be paid on the Bonds specifying the amount of interest owed, the period represented by such interest, and the CUSIP numbers of the Bonds on which such interest is owed and (ii) in the case of Principal of the Bonds, either the Bonds themselves duly assigned to the Credit Facility Provider or new Bonds registered in the name of the Credit Facility Provider or in such other name as the Credit Facility Provider shall specify. Whenever moneys become available for the payment of any interest then overdue, the Credit Facility Provider shall be treated as to interest owed to it as and as if it had been the Bondholder of the Bonds upon which such interest is payable on any special record date therefor.

**Section 7.7. No Obligation to Levy Taxes.** Nothing contained in the Bond Ordinance shall be construed as imposing on the District any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the Principal of or interest on the Bonds.

[End of Article VII]

## ARTICLE VIII

### BOND OWNERSHIP

**Section 8.1. Manner of Evidencing Ownership of Bonds.** Any request, direction, or other instrument required by the Bond Ordinance to be signed or executed by Bondholders may be in any number of counterparts or writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction, or other instrument, or of the writing appointing such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any purpose of the Bond Ordinance.

The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction, who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of a witness to such execution; provided that the execution of the form of assignment on each Bond may be guaranteed only by an "eligible guarantor institution" as defined by SEC Rule 17Ad-15 or any similar rule which the Bond Registrar deems applicable. The fact of ownership of the Bonds by any Bondholder, the amount and issue numbers of such Bonds, and the date of ownership shall be proved by the Bond Register.

**Section 8.2. Call of Meetings of Bondholders.** The District or the owners of not less than 25% in aggregate Principal of the Bonds Outstanding of either the Senior Bonds or the Subordinate Bonds may at any time call a meeting of the Bondholders.

[End of Article VIII]

## ARTICLE IX

### DEFEASANCE

**Section 9.1. Defeasance.** Except as otherwise provided in **Section 13.6** with respect to the Series 2004A Insured Bonds or in any other Series Ordinance with respect to Bonds secured by a Credit Facility, Bonds for the payment or redemption of which sufficient moneys or sufficient Government Obligations shall have been deposited with the Paying Agent or the Depository of the Sinking Fund (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid and no longer Outstanding under the Bond Ordinance; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given as provided in **Article III** or firm and irrevocable arrangements shall have been made for the giving of such notice; and, provided, further, that Bonds bearing interest at a Variable Rate shall not be deemed to have been paid and discharged within the meaning of this Section unless the interest rate payable on such Bonds is calculated at the maximum interest rate specified for such Bonds to the earlier of the first tender or redemption date. Government Obligations shall be considered sufficient for purposes of this **Article IX** only: (i) if such Government Obligations are not callable by the issuer of the Government Obligations prior to their stated maturity, and (ii) if such Government Obligations fall due and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay Principal and redemption premiums, if any, when due on the Bonds without rendering the interest on any Tax-Exempt Bonds includable in gross income of any owner thereof for federal income tax purposes.

The District may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered under the Bond Ordinance which the District may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

[End of Article IX]

## ARTICLE X

### SUPPLEMENTAL ORDINANCES

**Section 10.1. Supplemental Ordinances Not Requiring Consent of Bondholders.** The District, from time to time and at any time, subject to the conditions and restrictions in the Bond Ordinance, may adopt one or more Supplemental Ordinances which thereafter shall form a part of the Bond Ordinance, for any one or more or all of the following purposes:

**10.1.1.** To add to the covenants and agreements of the District in the Bond Ordinance other covenants and agreements thereafter to be observed or to surrender, restrict, or limit any right or power reserved in the Bond Ordinance to or conferred upon the District (including but not limited to the right to issue Senior Bonds);

**10.1.2.** To make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in the Bond Ordinance, or in regard to matters or questions arising under the Bond Ordinance, as the District may deem necessary or desirable and not inconsistent with the Bond Ordinance;

**10.1.3.** To subject to the lien and pledge of the Bond Ordinance additional revenues, receipts, properties, or other collateral;

**10.1.4.** To evidence the appointment of successors to any Depository, Paying Agent, or Bond Registrar;

**10.1.5.** To modify, amend, or supplement the Bond Ordinance in such manner as to permit the qualification of the Bond Ordinance under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Bond Ordinance such other terms, conditions, and provisions as may be permitted or required by such Trust Indenture Act of 1939 or any similar federal statute;

**10.1.6.** To make any modification or amendment of the Bond Ordinance required in order to make any Bonds eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Bonds or interests therein in book-entry form;

**10.1.7.** To modify any of the provisions of the Bond Ordinance in any respect if such modification shall not become effective until after the Bonds Outstanding immediately prior to the effective date of such Supplemental Ordinance shall cease to be Outstanding and if any Bonds issued contemporaneously with or after the effective date of such Supplemental Ordinance shall contain a specific reference to the modifications contained in such subsequent proceedings;

**10.1.8.** Subject to the provisions of **Article XII**, to modify the provisions of the Bond Ordinance with respect to the disposition of any moneys remaining in the Project Fund upon the completion of any Project;

**10.1.9.** To increase the size or scope of the System, to add other utilities to the System, to create additional subaccounts or to abolish any subaccounts within any account, or to change the amount of the Debt Service Reserve Requirement, but not below the amount specified in such definition;

**10.1.10.** To modify the Bond Ordinance to permit the qualification of any Bonds for offer or sale under the securities laws of any state in the United States of America;

**10.1.11.** To modify the Bond Ordinance to provide for the issuance of Senior Bonds or Subordinate Bonds, and such modification may deal with any subjects and make any provisions which the District deems necessary or desirable for that purpose;

**10.1.12.** To make such modifications in the provisions of the Bond Ordinance as may be deemed necessary by the District to accommodate the issuance of Bonds which (i) are Capital Appreciation Bonds (including, but not limited to, provisions for determining the Debt Service Requirement for such Capital Appreciation Bonds and for treatment of Accreted Value in making such determination) or (ii) bear interest at a Variable Rate; and

**10.1.13.** To modify any of the provisions of the Bond Ordinance in any respect (other than a modification of the type described in **Section 10.2** requiring the unanimous written consent of the Bondholders); provided that for (i) any Outstanding Bonds which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of Principal and interest to be paid thereon, each Rating Agency shall have given written notification to the District that such modification will not cause the then applicable Rating on any Bonds to be reduced or withdrawn, and (ii) any Outstanding Bonds which are secured by Credit Facilities providing for the payment of the full amount of the Principal and interest to be paid thereon, each Credit Facility Provider shall have consented in writing to such modification.

Any Supplemental Ordinance authorized by the provisions of this Section may be adopted by the District without the consent of or notice to the owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of **Section 10.2**.

Any Supplemental Ordinance of the District may modify the provisions of the Bond Ordinance in such a manner, and to such extent and containing such provisions, as the District may deem necessary or desirable to effect any of the purposes stated above.

As used in this Section, the term "modify" shall mean "modify, amend, or supplement" and the term "modification" shall mean "modification, amendment, or supplement."

**Section 10.2. Supplemental Ordinances Requiring Consent of Bondholders.** With the consent (evidenced as provided in **Article VIII**) of the owners of not less than a majority in aggregate Principal of the Outstanding Bonds of each class (senior and subordinate), voting separately by class, the District may from time to time and at any time adopt a Supplemental Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Ordinance or of any Supplemental Ordinance; provided, however, that no such Supplemental Ordinance shall: (1) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Bond Outstanding under the Bond Ordinance; (2) reduce or extend the time for payment of Principal of, redemption premium, or interest on any Bond Outstanding under the Bond Ordinance; (3) reduce any premium payable upon the redemption of any Bond under the Bond Ordinance or advance the date upon which any Bond may first be called for redemption prior to its stated maturity date; (4) give to any Senior Bond or Senior Bonds (or related Hedge Payments) a preference over any other Senior Bond or Senior Bonds (or related Hedge Payments); (5) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the Bond Ordinance for the Senior Bonds; (6) reduce the percentage of owners of senior or subordinate classes of Bonds required to approve any such Supplemental Ordinance; or (7) deprive the owners of the Bonds of the right to payment of the Bonds or from the Pledged Revenues, without, in each case, the consent of the owners of

all the affected Bonds then Outstanding. No amendment may be made under this Section which affects the rights or duties of any Credit Facility Provider securing any of the Bonds or any Qualified Hedge Provider under any Hedge Agreement without its written consent.

If the District intends to enter into or adopt any Supplemental Ordinance as described in this Section, the District shall mail, by registered or certified mail, to the registered owners of the Bonds at their addresses as shown on the Bond Register, a notice of such intention along with a description of such Supplemental Ordinance not less than 30 days prior to the proposed effective date of such Supplemental Ordinance. The consents of the registered owners of the Bonds need not approve the particular form of wording of the proposed Supplemental Ordinance, but it shall be sufficient if such consents approve the substance thereof. Failure of the owner of any Bond to receive the notice required in the Bond Ordinance shall not affect the validity of any Supplemental Ordinance if the required number of owners of the Bonds of each class shall provide their written consent to such Supplemental Ordinance.

Notwithstanding any provision of the Bond Ordinance to the contrary, upon the issuance of a Credit Facility to secure any Bonds and for the period in which such Credit Facility is outstanding, the Credit Facility Provider may have the consent rights of the owners of the Bonds which are secured by such Credit Facility pertaining to some or all of the amendments or modifications of the Bond Ordinance, to the extent provided in the applicable Series Ordinance. Notwithstanding the foregoing, if a Credit Facility Provider is granted the consent rights of the owners of any Bonds in a Series Ordinance and refuses to exercise such consent rights, either affirmatively or negatively, then the registered owners of the Bonds secured by the related Credit Facility may exercise such consent rights.

**Section 10.3. Notice of Supplemental Ordinances.** The District shall cause the Bond Registrar to mail a notice by registered or certified mail to the registered owners of all Bonds Outstanding, at their addresses shown on the Bond Register or at such other address as has been furnished in writing by such registered owner to the Bond Registrar, setting forth in general terms the substance of any Supplemental Ordinance which has been: (i) adopted by the District pursuant to **Section 10.1** or (ii) approved by Bondholders or any Credit Facility Provider and adopted by the District pursuant to **Section 10.2**.

[End of Article X]

## ARTICLE XI

### SALE AND APPLICATION OF PROCEEDS OF SERIES 2004A BONDS

**Section 11.1. Sale of Series 2004A Bonds.** The Series 2004A Bonds shall be sold as provided in Section 14.3 and each series of additional Bonds shall be sold from time to time as the District may determine by Series Ordinances. A certified copy of each Series Ordinance shall be filed with the Bond Registrar.

**Section 11.2. Application of Series 2004A Bond Proceeds.** Upon the written request of the District, the Bond Registrar shall authenticate and hold the Series 2004A Bonds as "Fast Agent" for the benefit of the Beneficial Owners and shall receive a receipt for the Series 2004A Bonds. The District shall apply the proceeds from the sale of the Series 2004A Bonds as follows:

(a) The sum of \$585,000.00 from the proceeds of the Series 2004A Bonds shall be paid by the Underwriter directly to the Series 2004A Credit Facility Provider, in payment of the premium for the Series 2004A Credit Facility.

(b) The sum of \$1,011,100.00 shall be deposited into the Series 2004A Costs of Issuance Account.

(c) The sum of \$15,048,057.46 shall be deposited into the Debt Service Reserve

(d) All remaining proceeds shall be deposited into the Series 2004A Project Account.

**Section 11.3. Appropriation of Series 2004A Bond Proceeds to Pay Costs of Issuance.** The District hereby appropriates the sum of \$1,011,100.00 from moneys on deposit in the Series 2004A Costs of Issuance Account to pay costs of issuance of the Series 2004A Bonds.

[End of Article XI]

## ARTICLE XII

### PROJECT FUND

#### Section 12.1. Project Fund.

(a) The District shall establish within the Project Fund a separate account for each Project. Except as may be otherwise provided in the Series Ordinance authorizing the issuance of SRF Bonds, moneys in the Project Fund shall be held by the Depository, or such other bank as may from time to time be designated by the District, and applied to the payment of the Costs of the Project, or for the repayment of advances made for that purpose in accordance with and subject to the provisions and restrictions set forth in this Article. The District covenants that it will not cause or permit to be paid from the Project Fund any sums except in accordance with such provisions and restrictions; provided, however, that any moneys in the Project Fund not presently needed for the payment of current obligations during the course of construction may be invested in Permitted Investments maturing not later than (i) the date upon which such moneys will be needed according to a schedule of anticipated payments from the Project Fund filed with the District by the Consultant in charge of the Project or (ii) in the absence of such schedule, 36 months from the date of purchase, in either case upon written direction of the District. Any such investments shall be held by the Depository, in trust, for the account of the Project Fund until maturity or until sold, and at maturity or upon such sale the proceeds received therefrom including accrued interest and premium, if any, shall be immediately deposited by the Depository in the Project Fund and shall be disposed of in the manner and for the purposes provided in the Bond Ordinance.

(b) At such time as the Depository is furnished with a certificate from the Chief Financial Officer stating that all Costs of Issuance have been paid, and in any case not later than 6 months after the date of issuance of the Series 2004A Bonds, the Depository shall transfer any money in the Series 2004A Costs of Issuance Account to the Series 2004A Project Account of the Project Fund.

**Section 12.2. Purposes of Payments.** Moneys in each separate account in the Project Fund shall be used for the payment or reimbursement of the Costs of the Project for which such account was established as provided in this **Article XII**.

**Section 12.3. Documentation of Payments.** All payments from the Project Fund shall be made upon draft except as provided in the Bond Ordinance, signed by an officer of the District properly authorized to sign on its behalf, but before such officer shall sign any such draft, there shall be filed with the Depository a requisition for such payment, in substantially the form attached hereto as **Exhibit D**, stating each amount to be paid and the name of the person to whom payment is due, and certifying:

(a) That an obligation in the stated amount has been incurred by the District and that the same is a proper charge against the Project Fund and has not been paid and stating that the bill or statement of account for such obligation, or a copy thereof, is on file in the office of the District;

(b) That the signer has no notice of any vendor's, mechanic's, or other liens or rights to liens, chattel mortgages, or conditional sales contracts which should be satisfied or discharged before such payment is made; and

(c) That such requisition contains no item representing payment on account of any retained percentages which the District is, at the date of any such certificate, entitled to retain.



In the event the United States government or government of the State, or any department, authority, or agency of either, agrees to allocate moneys to be used to defray any part of the Cost of any Project upon the condition that the District appropriate a designated amount of moneys for such purpose, and it is required of the District that its share of such cost be deposited in a special account, the District shall have the right to withdraw any sum so required from the Project Fund by appropriate transfer and deposit the same in a special account for that particular Project; provided, however, that all payments thereafter made from such special account shall be made only in accordance with the requirements set forth in this Section.

Withdrawals for investment purposes only may be made by the Depository to comply with written directions from the District without any requisition other than such direction.

**Section 12.4. Retention of Payment Documents.** All requisitions and certificates required by this Article shall be retained for at least five years by the Depository subject at all times to inspection by any officer of the District.

**Section 12.5. Funds Remaining on Completion of Projects.** For each series of Bonds, the District shall, when a Project has been completed, and may, when a Project has been substantially completed, file with the Depository a certificate signed by the Chief Financial Officer estimating what portion of the funds remaining in the separate account relating to such Project will be required by the District for the payment or reimbursement of the Costs of such Project. The Chief Financial Officer shall attach to his or her certificate a certificate of the supervising engineer certifying that such Project has been completed or substantially completed, as the case may be, in accordance with the plans and specifications therefor and approving the estimates of the Chief Financial Officer with respect to the portion of funds in the account required for Costs of the Project. Such funds that will not be used shall be (1) transferred to the Payments Account and used to redeem Bonds of the related series on the next redemption date or to pay Principal of such Bonds on the next Principal Maturity Date, or (2) transferred to the Payments Account and used to pay interest on Bonds of the related series, provided that the District shall first obtain an opinion of Bond Counsel to the effect that, under existing law, the application of such moneys to pay interest on such Bonds (a) is allowed under State law, and (b) if such Bonds are Tax-Exempt Bonds, will not, by itself and without more, adversely affect the exclusion from gross income for federal income tax purposes of interest payable on such Bonds. When all moneys have been withdrawn or transferred from any separate account within the Project Fund in accordance with the provisions of this **Article XII**, such separate account shall terminate and cease to exist.

[End of Article XII]

## ARTICLE XIII

### SERIES 2004A CREDIT FACILITY

**Section 13.1. Authorization.** The District hereby authorizes the purchase of the Series 2004A Credit Facility from the Series 2004A Credit Facility Provider. The Chief Officer or Chief Financial Officer is hereby authorized and directed to execute on behalf of the District a Credit Facility Agreement between the District and the Series 2004A Credit Facility Provider relating to the Series 2004A Insured Bonds.

**Section 13.2. Information to be Furnished to and Agreements with the Series 2004A Credit Facility Provider.** As long as the Series 2004A Credit Facility is in full force and effect, the District shall provide the Series 2004A Credit Facility Provider with the following information:

(a) within 180 days after the end of each Fiscal Year, the budget for the succeeding year, the annual audited financial statements for the preceding Fiscal Year, a statement of the amount on deposit in the Debt Service Reserve Account as of the last valuation, and, if not presented in the audited financial statements, a statement of the Pledged Revenues in each such Fiscal Year;

(b) the Official Statement or other disclosure document, if any, prepared in connection with the issuance of additional debt secured by Pledged Revenues, whether or not it is on parity with the Series 2004A Insured Bonds, within 30 days after the sale thereof;

(c) notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Debt Service Reserve Account;

(d) notice of the redemption, other than mandatory sinking fund redemption, of any of the Series 2004A Insured Bonds, or of any advance refunding of the Series 2004A Insured Bonds, including the Principal amount, maturities, and CUSIP numbers thereof;

(e) simultaneously with the delivery of the annual audited financial statements, a statement of:

(1) the number of System connections as of the end of the Fiscal Year;

(2) notification of the withdrawal of any System user comprising 5% or more of System sales measured in terms of revenue dollars since the last reporting date;

(3) any significant System plant retirements or expansions planned or undertaken since the last reporting date;

(4) maximum and average daily usage for the Fiscal Year;

(5) updated capital plans for expansion and improvement projects; and

(6) results of annual engineering inspections, if any, occurring at the end of the Fiscal Year;

(f) a full transcript of all proceedings relating to the adoption of any Supplemental Ordinance;

(g) in connection with the issuance of additional Bonds, the District shall deliver to the Series 2004A Credit Facility Provider a copy of the disclosure document, if any, circulated with respect to such additional Bonds;

(h) copies of any amendments made to the documents executed in connection with the issuance of the Series 2004A Bonds which are consented to by the Series 2004A Credit Facility Provider shall be sent to Standard & Poor's;

(i) the Series 2004A Credit Facility Provider shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto;

(j) the Series 2004A Credit Facility Provider shall receive copies of all notices required to be delivered to Bondholders of Series 2004A Insured Bonds and, on an annual basis, copies of the District's audited financial statements and Annual Budget.

Notices: Any notice that is required to be given to a holder of the Series 2004A Insured Bonds or to the Paying Agent under the Bond Ordinance shall also be provided to the Series 2004A Credit Facility Provider. All notices required to be given to the Series 2004A Credit Facility Provider under the Bond Ordinance shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance;

(k) the District agrees to reimburse the Series 2004A Credit Facility Provider immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Series 2004A Credit Facility Provider in connection with (i) the enforcement by the Series 2004A Credit Facility Provider of the District's obligations, or the preservation or defense of any rights of the Series 2004A Credit Facility Provider, under the Bond Ordinance and any other document executed in connection with the issuance of the Series 2004A Insured Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Bond Ordinance or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Series 2004A Credit Facility Provider reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved;

(l) the District shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Series 2004A Insured Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Series 2004A Insured Bonds without the prior written consent of the Series 2004A Credit Facility Provider; and

(m) such additional information as the Series 2004A Credit Facility Provider may reasonably request from time to time.

**Section 13.3. Redemption Notices.** As long as the Series 2004A Credit Facility is in full force and effect, notice of any redemption of Series 2004A Insured Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Series 2004A Insured Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Series 2004A Insured Bonds to be redeemed is on deposit in the applicable fund or account.

**Section 13.4. Events of Default and Remedies.**

(a) As long as the Series 2004A Credit Facility is in full force and effect, in determining whether a payment default has occurred or whether a payment on the Series 2004A Insured Bonds has been made under the Bond Ordinance, no effect shall be given to payments made under the Series 2004A Credit Facility.

(b) As long as the Series 2004A Credit Facility is in full force and effect, any acceleration of the Series 2004A Insured Bonds or any annulment thereof shall be subject to the prior written consent of the Series 2004A Credit Facility Provider (if it has not failed to comply with its payment obligations under the Series 2004A Credit Facility).

(c) As long as the Series 2004A Credit Facility is in full force and effect, the Series 2004A Credit Facility Provider shall receive immediate notice of any payment default and notice of any other default known to the Paying Agent or the District within 30 days of the Paying Agent's or the District's knowledge thereof.

(d) As long as the Series 2004A Credit Facility is in full force and effect, for all purposes of **Article VII**, except the giving of notice of default to Bondholders, the Series 2004A Credit Facility Provider shall be deemed to be the sole holder of the Series 2004A Insured Bonds for so long as it has not failed to comply with its payment obligations under the Series 2004A Credit Facility.

(e) As long as the Series 2004A Credit Facility is in full force and effect, the Series 2004A Credit Facility Provider shall be entitled to (i) notify the District, the Paying Agent, or any applicable receiver of the occurrence of an Event of Default and (ii) request the receiver to intervene in judicial proceedings that affect the Series 2004A Insured Bonds or the security therefor. The Paying Agent or receiver shall accept notice of default from the Series 2004A Credit Facility Provider.

**Section 13.5. Supplemental Ordinances.** As long as the Series 2004A Credit Facility is in full force and effect, the Series 2004A Credit Facility Provider shall be provided with a copy of any Supplemental Ordinance authorized by **Section 10.1** and any Supplemental Ordinance authorized by **Section 10.2** shall be subject to the prior written consent of the Series 2004A Credit Facility Provider. Any Rating Agency rating the Series 2004A Insured Bonds must receive notice of each such Supplemental Ordinance and a copy thereof at least 15 days in advance of its adoption.

**Section 13.6. Defeasance.** As long as the Series 2004A Credit Facility is in full force and effect, only cash, direct non-callable obligations of the United States of America, and securities fully and unconditionally guaranteed as to the timely payment of Principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRIPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) shall, if otherwise permitted under the terms of the Bond Ordinance, be used to effect defeasance of the Series 2004A Insured Bonds unless the Series 2004A Credit Facility Provider otherwise approves. In the event of an advance refunding of the Series 2004A Insured Bonds, the District shall cause to be delivered a verification report of a nationally recognized Independent Certified Public Accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing Principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that

in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

**Section 13.7. Payment Under the Series 2004A Credit Facility.**

(a) In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Series 2004A Insured Bonds, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Series 2004A Insured Bonds due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Series 2004A Credit Facility Provider or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Series 2004A Credit Facility Provider or its designee.

(c) In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Series 2004A Insured Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Series 2004A Credit Facility Provider or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(d) The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Bondholders of the Series 2004A Insured Bonds as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest on the Series 2004A Insured Bonds, the Paying Agent shall (A) execute and deliver to U.S. Bank Trust National Association, or its successors under the Series 2004A Credit Facility (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Series 2004A Credit Facility Provider as agent for such Bondholders of Series 2004A Insured Bonds in any legal proceeding related to the payment of such interest and an assignment to the Series 2004A Credit Facility Provider of the claims for interest to which such deficiency relates and which are paid by the Series 2004A Credit Facility Provider, (B) receive as designee of the respective Bondholders of Series 2004A Insured Bonds (and not as Paying Agent) in accordance with the tenor of the Series 2004A Credit Facility payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (C) disburse the same to such respective Bondholders of Series 2004A Insured Bonds; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the Series 2004A Insured Bonds, the Paying Agent shall (A) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Series 2004A Credit Facility Provider as agent for such Bondholder of Series 2004A Insured Bonds in any legal proceeding relating to the payment of such principal and an assignment to the Series 2004A Credit Facility Provider of any of the Series 2004A Insured Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (B) receive as designee of the respective Bondholders of Series 2004A Insured Bonds (and not as Paying Agent) in accordance with the tenor of the Series 2004 Credit Facility payment therefor from the Insurance Paying Agent, and (C) disburse the same to such Bondholders of Series 2004A Insured Bonds.

(e) Payments with respect to claims for interest on and principal of Series 2004A Insured Bonds disbursed by the Paying Agent from proceeds of the Series 2004A Credit Facility shall not be considered to discharge the obligation of the District with respect to such Series 2004A Insured Bonds, and the Series 2004A Credit Facility Provider shall become the owner of such unpaid Series 2004A Insured Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the District and the Paying Agent hereby agree for the benefit of the Series 2004A Credit Facility Provider that:

(i) They recognize that to the extent the Series 2004A Credit Facility Provider makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Series 2004A Insured Bonds, the Series 2004A Credit Facility Provider will be subrogated to the rights of such Bondholders of Series 2004A Insured Bonds to receive the amount of such principal and interest from the District, with interest thereon as provided and solely from the sources stated in the Bond Ordinance and the Series 2004A Insured Bonds; and

(ii) They will accordingly pay to the Series 2004A Credit Facility Provider the amount of such principal and interest (including principal and interest recovered under subparagraph (i) of the first paragraph of the Series 2004A Credit Facility, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Bond Ordinance and the Series 2004A Insured Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 2004A Insured Bonds to Bondholders, and will otherwise treat the Series 2004A Credit Facility Provider as the owner of such rights to the amount of such principal and interest.

**Section 13.8. Notice Address.** The notice address for the Series 2004A Credit Facility Provider is:

MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504  
Attention: Surveillance

[End of Article XIII]

## ARTICLE XIV

### MISCELLANEOUS PROVISIONS

**Section 14.1. Severability.** In case any one or more of the provisions of the Bond Ordinance or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Bond Ordinance or of the Bonds, but the Bond Ordinance and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation, or agreement contained in the Bonds or in the Bond Ordinance shall for any reason be held to be unenforceable or in violation of law, then such covenant, stipulation, obligation, or agreement shall be deemed to be the covenant, stipulation, obligation, or agreement of the District to the full extent that the power to incur such obligation or to make such covenant, stipulation, or agreement shall have been conferred on the District by law.

**Section 14.2. Requests of District.** Whenever any action is to be taken by the Bond Registrar or the Paying Agent at the request of the District under the Bond Ordinance, if no other means of authenticating such request is required, such request shall be evidenced by a written instrument signed by the Chief Officer and Attesting Officer or by such other District official or employee (one or more) as may from time to time be designated in writing by the Chief Officer and Attesting Officer. A duly certified copy of such designation must be filed with the Bond Registrar and the Paying Agent.

**Section 14.3. Sale of Series 2004A Bonds.** The District shall sell the Series 2004A Bonds to the Underwriter for the price of \$173,957,693.30 on the date of payment and delivery of the Series 2004A Bonds. Delivery of the Series 2004A Bonds shall be made to the Underwriter as soon as practicable after the effective date of this Master Bond Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract in substantially the form attached hereto as **Exhibit C**. The Chairman of the Governing Body, the Chief Officer or the Chief Financial Officer is authorized to execute the Purchase Contract, with such changes therein as such official deems appropriate, for and on behalf of the District, such officer's signature thereon being conclusive evidence of such official's and the District's approval thereof.

**Section 14.4. Official Statement.** The use and distribution of the Series 2004A Official Statement is hereby authorized and approved by supplementing, amending and completing the Preliminary Official Statement in the form attached hereto as **Exhibit F** as approved by Ordinance No. 11703 adopted on April 1, 2004, and the execution and delivery of the Series 2004A Official Statement in final form shall be and is hereby authorized, ratified, confirmed, and approved. The Chairman of the Governing Body, the Chief Officer and the Attesting Officer are hereby authorized and directed to ratify, confirm, approve, execute, and deliver the Series 2004A Official Statement on behalf of the District, and the execution of the Series 2004A Official Statement by the Chairman of the Governing Body, the Chief Officer and the Attesting Officer shall constitute conclusive evidence of each such officer's ratification, confirmation, approval, and delivery thereof on behalf of the District.

**Section 14.5. Payments Due on Saturdays, Sundays, etc.** Whenever a date upon which a payment is to be made under the Bond Ordinance falls on a date which is not a Business Day, such payment may be made on the next succeeding Business Day without interest for the intervening period.

**Section 14.6. Applicable Provisions of Law.** The Bond Ordinance shall be governed by and construed and enforced in accordance with the laws of the State and the Charter.

**Section 14.7. Repeal of Conflicting Ordinances and Resolutions.** Any and all ordinances and resolutions, or parts of ordinances or resolutions, if any, in conflict with the Bond Ordinance are hereby repealed.

**Section 14.8. No Individual Responsibility of Trustees and Officers of District.** No stipulations, obligations, or agreements of any trustee of the Governing Body or of any officer of the District shall be deemed to be stipulations, obligations, or agreements of any such trustee or officer in his or her individual capacity.

**Section 14.9. General Authorization for Series 2004A Bonds.** From and after the date of adoption of this Master Bond Ordinance, the officials, employees, and agents of the District are hereby authorized to do all such acts and things and to execute and deliver any and all other documents, agreements, certificates and instruments as may be necessary or desirable in connection with the execution, delivery and sale of the Series 2004A Bonds, the investment of the proceeds of the Series 2004A Bonds and the transactions contemplated on the part of the District by the Bond Ordinance, including, but not limited to, the Letter of Representations and the certificate relating to the Rebate Fund referred to in **Section 6.11** hereof. The Chief Officer and Attesting Officer are hereby authorized and directed to prepare and furnish to the Underwriter, when the Series 2004A Bonds are issued, certified copies of all proceedings and records of the District relating to the Series 2004A Bonds or to this Master Bond Ordinance, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2004A Bonds as such facts appear from the books and records in such officers' custody and control or as otherwise known to them. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the District as to the truth of all statements contained therein.

**Section 14.10. Effective Date.** Pursuant to the Charter, this Master Bond Ordinance constitutes an appropriation ordinance and shall take effect immediately and be in full force after its passage by the Governing Body.

**THE METROPOLITAN ST. LOUIS  
SEWER DISTRICT**

By: \_\_\_\_\_  
Chairman of the Board of Trustees

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer

APPROVED AS TO FORM:

\_\_\_\_\_  
Randy E. Hayman, General Counsel



**EXHIBIT A**

**FORM OF SERIES 2004A BONDS**

EXCEPT AS OTHERWISE PROVIDED IN THE BOND ORDINANCE (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF DTC (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

**UNITED STATES OF AMERICA  
STATE OF MISSOURI**

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**WASTEWATER SYSTEM REVENUE BOND  
SERIES 2004A**

**Registered  
No. R- \_\_\_\_\_**

**Registered  
\$ \_\_\_\_\_**

**Maturity Date**

**Interest Rate**

**Dated**

**CUSIP**

May 1, \_\_\_\_

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS**

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT** (the "**District**"), a body corporate, a municipal corporation and a political subdivision duly created and existing under the laws of the State of Missouri, for value received, hereby promises to pay (but only out of the sources provided) to the registered owner identified above, or registered assigns, on the Maturity Date stated above unless this Bond shall have been called for redemption prior to maturity and payment of the redemption price shall have been duly made or provided for, the principal amount identified above and to pay (but only out of the sources provided) interest on the balance of such principal amount from time to time remaining unpaid from and including the date hereof or from and including the most recent Interest Payment Date (as hereinafter defined) with respect to which interest has been paid or duly provided for, until payment of such principal amount has been made, at the Interest Rate per annum shown above (computed on the basis of a 360-day year consisting of twelve 30-day months) on May 1 and November 1 of each year (each an "**Interest Payment Date**") commencing November 1, 2004, until the payment of the principal amount of this Bond in full.

Principal of and redemption premium, if any, on this Bond are payable when due in lawful money of the United States of America upon presentation and surrender of this Bond at the principal payment office of BNY Trust Company of Missouri, in New York, New York, as registrar and paying agent (the

**"Bond Registrar"** or the **"Paying Agent"**). Payment of interest on this Bond shall be made to the registered owner and shall be paid in lawful money of the United States of America by check or draft mailed on the applicable Interest Payment Date to such registered owner as of the close of business on the 15th day of the calendar month (the **"Record Date"**) immediately preceding such Interest Payment Date at its address as it appears on the registration books (the **"Bond Register"**) of the District maintained by the Bond Registrar, or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

Notwithstanding the foregoing, interest on this Bond shall be payable to any registered owner of more than \$500,000 in aggregate Principal of the Bonds of the same series as this Bond (including this Bond) by deposit of immediately available funds to the account of such registered owner maintained with the Paying Agent or transmitted by electronic transfer to such registered owner at an account maintained at a commercial bank located within the United States of America, if the Paying Agent receives from such registered owner written deposit or electronic transfer instructions not less than 15 days prior to the Record Date preceding the Interest Payment Date for which the deposit or electronic transfer is requested.

This Bond is one of a duly authorized series of bonds designated "The Metropolitan St. Louis Sewer District Wastewater System Revenue Bonds, Series 2004A" (the **"Series 2004A Bonds"**), issued by the District pursuant to and in full compliance with the provisions of the Constitution and laws of the State of Missouri, including specifically, but without limitation, the District's Charter (Plan), as amended. The Series 2004A Bonds have been authorized by a Master Bond Ordinance (the **"Bond Ordinance"**) duly adopted by the District on April 22, 2004, for the purpose of financing the costs of constructing, improving, renovating, repairing, replacing and equipping new and existing District sewer facilities and system. The Series 2004A Bonds are all issued under and equally and ratably secured by and entitled to the benefit of the Bond Ordinance. *Capitalized terms not defined herein are used with the meanings given to them in the Bond Ordinance.*

The Series 2004A Bonds maturing on or after May 1, 2015 are subject to redemption prior to maturity at the option of the District on or after May 1, 2014, in whole or in part at any time, at a redemption price equal to 100% of the Principal amount of the Bonds to be redeemed plus accrued interest to the redemption date.

The Series 2004A Bonds maturing on May 1, 2029 and May 1, 2034 are subject to mandatory redemption prior to maturity by application of payments from the Sinking Fund, in accordance with the Bond Ordinance, at a redemption price equal to the Principal amounts of the Series 2004A Bonds set forth below plus the interest due thereon on the redemption date, on May 1 in each year as set forth below:

**Series 2004A Bonds Maturing May 1, 2029**

<u>Year</u>	<u>Principal Amount</u>
2025	\$ 6,210,000
2026	9,890,000
2027	10,215,000
2028	11,420,000
2029 <sup>+</sup>	11,960,000

<sup>+</sup>Final Maturity

**Series 2004A Bonds Maturing May 1, 2034**

<u>Year</u>	<u>Principal Amount</u>
2030	\$12,530,000
2031	13,155,000
2032	13,815,000
2033	14,505,000
2034 <sup>+</sup>	15,230,000

<sup>+</sup>Final Maturity

Notice of redemption, unless waived, is to be given by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of each Series 2004A Bond to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. All such Series 2004A Bonds called for redemption and for the retirement of which funds are duly provided shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2004A Bonds on such date, and interest on the Series 2004A Bonds or portions of Series 2004A Bonds so called for redemption shall cease to accrue, such Series 2004A Bonds or portions of Series 2004A Bonds shall cease to be entitled to any lien, benefit, or security under the Bond Ordinance, and the owners of such Series 2004A Bonds or portions of Series 2004A Bonds shall have no rights in respect thereof except to receive payment of the redemption price. Any defect in any notice of redemption shall not affect the validity of proceedings for the redemption of any Series 2004A Bonds.

The District has established a book-entry system of registration for the Series 2004A Bonds. Except as specifically provided otherwise in the Bond Ordinance, an agent will hold this Bond on behalf of the Beneficial Owner hereof. By acceptance of a confirmation of purchase, delivery, or transfer, the Beneficial Owner of this Bond shall be deemed to have agreed to such arrangement. While the Series 2004A Bonds are in the book-entry system of registration, the Bond Ordinance provides special provisions relating to the Series 2004A Bonds which override certain other provisions of the Bond Ordinance. This Bond is transferable by the registered owner at the principal corporate trust office of the Bond Registrar or at such other office designated by the Bond Registrar for such purpose, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Bond Ordinance and upon surrender of this Bond. Upon such transfer, a new registered Bond or Bonds of the same series, maturity, interest rate, aggregate Principal amount, and tenor, of any authorized denomination or denominations, and bearing numbers not then outstanding, will be issued to the transferee in exchange for this Bond. The Series 2004A Bonds are issuable as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The Bond Registrar is not required to transfer or exchange any Series 2004A Bond after notice calling such Series 2004A Bond for redemption has been given or during the period of 15 days (whether or not a Business Day for the Bond Registrar, but excluding the redemption date and including such 15th day) immediately preceding the giving of such notice of redemption. Unless this Bond is presented by an authorized representative of The Depository Trust Company ("**DTC**"), a New York corporation, to the District or its agent for registration of transfer, exchange, or payment, and any Series 2004A Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

The Series 2004A Bonds and such other revenue bonds of the District as may in the future be issued on a parity therewith, are equally and ratably secured by pledge of the "**Pledged Revenues**" of the

sanitary sewer system (the "**System**") of the District, which is defined in the Bond Ordinance to include gross operating revenues, certain amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, moneys and securities from time to time on deposit in the funds and accounts established in the Bond Ordinance, and earnings on investments made with the foregoing moneys and securities, excluding any amounts required in the Bond Ordinance to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated with respect to any such rebate requirement.

THE SERIES 2004A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OF THE DISTRICT NOR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT. THE SERIES 2004A BONDS SHALL NOT BE PAYABLE FROM OR A CHARGE UPON ANY FUNDS OTHER THAN THE REVENUES AND AMOUNTS PLEDGED TO THE PAYMENT THEREOF, NOR SHALL THE DISTRICT BE SUBJECT TO ANY PECUNIARY LIABILITY THEREON. NO OWNER OR OWNERS OF THIS BOND SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE DISTRICT TO PAY THIS BOND OR THE INTEREST HEREON, NOR TO ENFORCE PAYMENT OF THIS BOND AGAINST ANY PROPERTY OF THE DISTRICT; NOR SHALL THIS BOND CONSTITUTE A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE DISTRICT, EXCEPT FOR THE PLEDGED REVENUES AND ANY OTHER FUNDS PLEDGED TO SECURE THE SERIES 2004A BONDS.

The District has covenanted and hereby covenants and agrees at all times while any Series 2004A Bonds are Outstanding and unpaid to prescribe, fix, maintain, and collect rates, fees, and other charges for the services, facilities, and commodities furnished by the System fully sufficient at all times to: (i) provide for 100% of the Expenses of Operation and Maintenance of the System and for the accumulation in the Revenue Fund of a reasonable reserve therefor, and (ii) produce Net Operating Revenues in each Fiscal Year which, together with Investment Earnings, will: (a) equal at least 125% of the Debt Service Requirement on all Senior Bonds then Outstanding for the year of computation and 115% of the Debt Service Requirement on all Bonds then Outstanding for the year of computation, (b) enable the District to make all required payments into the Debt Service Reserve Account and the Rebate Fund and to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider, (c) enable the District to accumulate an amount to be held in the Renewal and Extension Fund which, in the judgment of the District, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System, and (d) will remedy all deficiencies in required payments into any of the funds and accounts established under the Bond Ordinance from prior Fiscal Years.

The Bond Ordinance contains a more particular statement of the covenants and provisions securing the Series 2004A Bonds, the conditions under which the owner of this Bond may enforce covenants (other than the covenant to pay Principal of and interest on this Bond when due from the sources provided, the right to enforce which is unconditional), the conditions upon which additional revenue bonds may be issued on a parity or achieve parity status with this Bond under the Bond Ordinance, and the conditions upon which the Bond Ordinance may be amended with the consent of the owners of a majority in aggregate Principal of the Bonds of each class (senior and subordinate) Outstanding or the issuer of any Credit Facility, if any, of such Bonds. Upon the occurrence of an Event of Default under the Bond Ordinance, the owner of this Bond shall be entitled to the remedies provided by the Bond Ordinance.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form, and manner as required by law.

This Bond shall not be entitled to any security or benefit under the Bond Ordinance or become valid or obligatory for any purpose until the certificate of authentication hereon shall have been duly executed by the Bond Registrar.

**IN WITNESS WHEREOF**, the District has caused this Bond to be executed by the manual or facsimile signature of the Chairman of the Board of Trustees of the District or the Chief Officer of the District and attested by the manual or facsimile signature of the Attesting Officer of the District and has caused the official seal of the District to be affixed hereto or imprinted hereon.

**THE METROPOLITAN ST. LOUIS  
SEWER DISTRICT**

(SEAL)

By: \_\_\_\_\_  
Chairman of the Board of Trustees

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer

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**BOND REGISTRAR'S CERTIFICATE OF AUTHENTICATION**

This Bond is one of the bonds of the series described in the within mentioned Bond Ordinance.

**BNY Trust Company of Missouri**, as Bond Registrar

By: \_\_\_\_\_  
Authorized Signatory

Date of Registration  
and Authentication:

\_\_\_\_\_

The following abbreviations, when used in the inscription on this Bond or in the assignment below, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common and not as community property
UNIF TRANS		
MIN ACT	-	_____ Custodian _____ (Custodian) (Minor)

under Uniform Transfers to Minors Act \_\_\_\_\_  
(State)

Additional abbreviations may be used although not in the above list.

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**ASSIGNMENT AND TRANSFER**

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

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(Print or Typewrite Name, Address and Social Security Number  
or Taxpayer Identification Number of Assignee)

the within Bond of The Metropolitan St. Louis Sewer District and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

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

Notice: The signature on this assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed By:

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Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (12 CFR 240.17 Ad-15) or any similar rule which the Bond Registrar deems applicable

By: \_\_\_\_\_  
Title: \_\_\_\_\_

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**STATEMENT OF INSURANCE**  
**(for Series 2004A Bonds maturing in the years 2010 through 2034, inclusive)**

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at BNY Trust Company of Missouri, St. Louis, Missouri.

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the District to BNY Trust Company of Missouri or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**\$168,965,000**  
**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**  
**WASTEWATER SYSTEM REVENUE BONDS**  
**SERIES 2004A**  
**MATURING IN THE YEARS 2010 THROUGH 2034, INCLUSIVE**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.



As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the District, or any designee of the District for such purpose. The term owner shall not include the District or any party whose agreement with the District constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MBIA INSURANCE CORPORATION

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**LEGAL OPINION**

The following is a true and correct copy of the approving legal opinion of Gilmore & Bell, P.C. and the Hardwick Law Firm LLC, Co-Bond Counsel, which was dated and issued as of the date of original issuance and delivery of the Series 2004A Bonds:

GILMORE & BELL, P.C.  
One Metropolitan Square, Suite 2350  
211 North Broadway  
St. Louis, Missouri 63102

HARDWICK LAW FIRM LLC  
1125 Grand Boulevard, Suite 915  
Kansas City, Missouri 64106

(LEGAL OPINION OF CO-BOND COUNSEL)

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**EXHIBIT B**  
**CONTINUING DISCLOSURE AGREEMENT**

**EXHIBIT C**  
**PURCHASE CONTRACT**

**EXHIBIT D**

**Request No:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

**REQUISITION**

(PROJECT FUND)

To: UMB Bank, N.A., as Depository  
2 South Broadway, Suite 435  
St. Louis, Missouri 63102  
Attention: Corporate Trust Department

Re: \$175,000,000 The Metropolitan St. Louis Sewer District, Wastewater System Revenue  
Bonds, Series 2004A

Ladies and Gentlemen:

You are hereby authorized and directed as Depository under the Master Bond Ordinance adopted by the Board of Trustees of The Metropolitan St. Louis Sewer District (the "District") on April 22, 2004 (the "Bond Ordinance") to pay the following items from moneys in the Project Fund pursuant to **Article XII** of the Bond Ordinance:

Check Applicable Account:

- Series 2004A Costs of Issuance Account
- Series 2004A Project Account

**Payee**

**Amount**

**Description**

The undersigned hereby certifies in connection with this Requisition:

- (1) Each item listed above is a Cost of the Project (as defined in the Bond Ordinance);
- (2) Each item listed above is an obligation that has been incurred by the District, is a proper charge against the Project Fund, has not been paid, and the bill or statement of account for such obligation, or a copy thereof, is on file in the office of the District;
- (3) The undersigned has no notice of any vendor's, mechanic's, or other liens or rights to liens, chattel mortgages, or conditional sales contracts which should be satisfied or discharged before such payment is made; and
- (4) This Requisition contains no item representing payment on account of any retained percentages which the District is, at the date hereof, entitled to retain.

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT E

### REGISTRAR AND PAYING AGENT AGREEMENT

**THIS REGISTRAR AND PAYING AGENT AGREEMENT** is made and entered into as of May 1, 2004, by and between **THE METROPOLITAN ST. LOUIS SEWER DISTRICT** (the "District") and **BNY TRUST COMPANY OF MISSOURI**, St. Louis, Missouri (the "Bank").

#### WITNESSETH:

In consideration of the mutual covenants and agreements hereinafter set forth, the District hereby appoints the Bank as, and the Bank hereby accepts appointment as, Bond Registrar and Paying Agent for \$175,000,000 original aggregate principal amount of revenue bonds designated "The Metropolitan St. Louis Sewer District Wastewater System Revenue Bonds, Series 2004A" (the "Bonds"). Such appointment is made and accepted on the following terms and conditions:

1. It is currently anticipated that the Bonds will be issued and delivered to the original purchasers thereof on or about May 6, 2004 (the "Closing Date") in St. Louis, Missouri (the "Place of Closing"). On the Closing Date the District shall cause to be delivered to the Bank the following documents, which shall either be originally executed counterparts or copies which are certified or otherwise appropriately authenticated to the satisfaction of the Bank:

- (a) Master Bond Ordinance of the Board of Trustees of the District adopted on April 22, 2004, providing for the issuance and delivery of the Bonds (the "Bond Ordinance");
- (b) Authentication Order executed by the District;
- (c) Executed Bonds; and
- (d) Approving Legal Opinion from Bond Counsel.

*Capitalized terms not defined herein are used with the meanings given to them in the Bond Ordinance.*

2. The provisions of the Bond Ordinance relating to the rights, duties and responsibilities of the Bank as Bond Registrar and Paying Agent for the Bonds are hereby incorporated herein and made a part hereof. The District and the Bank covenant and agree, so long as DTC shall continue to serve as securities depository for the Bonds, to meet the requirements of DTC with respect to required notices and other provisions of the Letter of Representations.

3. No later than three Business Days prior to the anticipated Closing Date the District shall deliver or cause to be delivered to the Bank written specifications for preparation of the Bonds to be delivered to the Underwriter, including names and addresses of registered owners and denominations in which the Bonds are to be issued. The Bonds shall be prepared and registered by the Bank in accordance with such instructions and delivered by the Bank to the Place of Closing or as otherwise specified by the District to the Bank. The Bank shall make available a duly authorized signatory or signatories of the Bank for the purpose of executing an appropriate certificate of authentication on such Bonds prior to delivery. The Bank shall be responsible for safekeeping all Bonds authenticated by it until the time specified for delivery. No such Bonds shall be initially delivered by the Bank except in accordance with

an Authentication Order or other appropriate written direction to the Bank executed by an authorized officer of the District. In the event that the Bank shall not receive an Authentication Order on the Closing Date and the authentication certificate on any of the Bonds shall have been executed by the Bank, or if the District shall so direct in writing, the Bank shall be authorized to cancel the certificates representing such Bonds, provided that it delivers to the District appropriate evidence that such Bonds have been cancelled and were not delivered.

4. The Bank agrees that it shall maintain appropriate books and records on behalf of the District reflecting the amount of the Bonds initially authorized to be issued under the Authentication Order, the amount of the Bonds authenticated and delivered by the Bank from time to time, and the date, identifying numbers, name and address of registered owner or owners, denominations, maturity date, and other appropriate information concerning the Bonds authenticated and delivered by the Bank hereunder from time to time. The Bank agrees with the District that Bonds will not at any time be authenticated and delivered and permitted to be Outstanding with respect to any maturity in an aggregate amount greater than the amount originally authorized and set forth in the Bond Ordinance less the aggregate amount of Bonds which have been paid at maturity or which have been redeemed or purchased and surrendered for cancellation, except to the extent as may be permitted in the Bond Ordinance in the case of lost, stolen or destroyed Bonds.

5. The Bank will transfer the Bonds, register transfer of the Bonds, and issue new Bonds upon surrender of Bonds in the form deemed by the Bank to be properly endorsed for transfer, accompanied by such documents as the Bank deems necessary or appropriate to evidence the authority of the person requesting such transfer, registration and issuance and the genuineness of all necessary endorsements. In making any such transfer of Bonds the Bank will endeavor to comply with requirements for maximum turn-around time applicable to corporate securities registered for trading on national securities exchanges as may then be in effect.

6. The Bank has been designated as paying agent for the Bonds, and in such capacity will act as agent of the District for the purpose of paying to the registered owners of the Bonds interest coming due thereon from time to time and the Principal amount thereof becoming due at maturity or prior thereto upon call for redemption and for selecting the Bonds to be redeemed in accordance with the Bond Ordinance. In such capacity the Bank shall not be obligated to advance funds for the purpose of making any such payments, but shall make such payments only with funds provided to the Bank by the District and specifically designated for such purpose. Unless otherwise specifically directed by the District, the Bank shall not be authorized to utilize other funds of the District on deposit with the Bank not specifically provided to the Bank for the purpose of payment of the Bonds.

7. In the event the Bonds shall provide for a Record Date prior to Interest Payment Dates on which the registered owners of the Bonds are to be determined for the purpose of receiving payments of interest on the Bonds, the Bank will promptly, following such Record Date, proceed to prepare appropriate checks for payment of interest coming due on the succeeding payment date at the rates and on the terms specified in the Bond Ordinance, together with appropriate envelopes for the purpose of mailing such checks to the owners of record of the Bonds, except with respect to payment of interest to be made by electronic transfer. The District agrees that it will endeavor to provide to the Bank collected funds for the purpose of making such payments not later than the earlier of the date on which such funds are required to be provided to the Bank under the terms of the Bond Ordinance or the Business Day next preceding each such payment date. If the Bank shall have been furnished with collected funds sufficient to make such payment, the Bank shall mail the checks to the registered owners of the Bonds as aforesaid not later than the Business Day next preceding each such payment date. At the written request of the registered owner of at least \$500,000 in aggregate Principal of the Bonds, the payment of such interest shall be made by electronic transfer. Payment of interest to be made by electronic transfer shall be made



prior to 12:00 noon on each payment date. Payment of Principal coming due on the Bonds at the maturity thereof or prior thereto upon call for redemption shall be paid by the Bank to the registered owners thereof only upon presentation and surrender of the Bonds with respect to which payment is to be made. Payments of Principal of the Bonds will be made only to the registered owners of the Bonds, unless such Bonds are surrendered for payment accompanied by assignments appropriate to effect transfer to the person to whom such payment is to be made. In the event Bonds are surrendered for payment with any such instruments of transfer, the Bank shall be entitled to effect such transfer in the same manner as other transfers of the Bonds are to be effected prior to making payment to the transferee.

8. All Bonds which have been delivered to the Bank for transfer or exchange shall, upon issuance of Bonds effecting such transfer or exchange, be cancelled by the Bank but retained by the Bank in its possession; provided, that at any time all such cancelled Bonds may be delivered by the Bank to the District and a certificate pertaining to such cancelled Bonds shall be so delivered to the District from time to time as the District may request or as required by the Bond Ordinance.

9. In the event the Bank shall receive any request or demand for inspection of any records of the District maintained by the Bank under this Agreement, the Bank will promptly notify the District of such request or demand, forward such request or demand (if made in writing) to the District, and (unless directed to the contrary by any order, subpoena, or similar process of a court or regulatory agency which the Bank believes to have jurisdiction, or unless the Bank shall be advised by its counsel that failure to permit such inspection may subject the Bank to liability), the Bank will permit or refuse to allow such inspection as the District may direct.

10. In performance of its duties hereunder the Bank may apply to a designated officer of the District for instructions and may consult with counsel for the District in respect of any matter arising in connection with this agency, and the Bank shall not be liable or accountable for any action taken or omitted by it in good faith in accordance with such instructions or any such opinion of counsel. The District shall reimburse the Bank for any counsel fees incurred by the Bank hereunder, provided that such consultation with counsel has been previously authorized by the District or is reasonably necessary in order for the Bank to determine its responsibilities under this Agreement.

11. In the event that Bonds are presented to the Bank for transfer, registration of transfer, or exchange, or for payment of the Principal thereof at maturity or prior thereto upon call for redemption, the Bank shall use reasonable diligence in determining whether such Bonds are genuine, but shall not otherwise incur any liability by reason of the transfer, registration of transfer, exchange, or payment of any such forged or illegally issued Bonds.

12. The District assumes full responsibility for and agrees, to the extent permitted by law, to indemnify and hold the Bank harmless from and against any claims, demands, actions, causes of action, or suits, whether groundless or otherwise, and from and against any and all losses, damages, charges, counsel fees, payments, expenses, and liabilities of whatever nature arising directly or indirectly out of the agency relationship created hereunder so long as the Bank has acted in good faith and with reasonable diligence. The Bank shall not be under any obligation to prosecute or defend any action or suit in respect of such agency relationship which, in the opinion of counsel to the Bank, may involve it in any expense or liability unless the District shall, to the extent permitted by law and upon the request of the Bank, furnish the Bank with indemnity reasonably satisfactory to the Bank against all such expenses or liabilities.

13. The Bank shall be entitled to compensation for services rendered in performance of its duties hereunder, in accordance with the Schedule of Fees attached to this Agreement as **Exhibit A**. The District shall further reimburse the Bank for its out-of-pocket expenses incurred in performance of its duties hereunder. Such fees and reimbursement of expenses shall be due and payable to the Bank from

time to time periodically upon presentation of a written statement therefor. The Bank shall not be obligated to allow and credit interest upon any moneys in respect of Principal, interest, or premium, if any, due in respect to the Bonds, which it shall at any time receive under any of the provisions of the Bond Ordinance or this Agreement.

14. The Bank may resign the agency created under this Agreement at any time on not less than 90 days' written notice to the District, and the District may terminate this agency at any time upon notice to the Bank. In the event of any such termination, the Bank shall deliver to the District or to such successor or other person as the District may direct any inventory of blank Bonds then held by the Bank, together with originals or appropriately verified copies of all records of the Bank pertaining to this agency then in the possession of the Bank. Upon such delivery of Bonds and records to the District, the Bank shall have no further obligation hereunder except as may have theretofore arisen. Upon any such termination, the District shall have no further obligation under this Agreement except to pay to the Bank any fees and expenses incurred or accrued through the date of such termination which have not theretofore been paid.

15. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and may not be amended or modified except in writing signed by the parties hereto.

[Remainder of Page Intentionally Left Blank.]

**IN WITNESS WHEREOF**, the undersigned acting by and through their duly authorized representatives have hereunto set their respective hands and seals as of the date and year first above written.

**THE METROPOLITAN ST. LOUIS  
SEWER DISTRICT**

(SEAL)

By: \_\_\_\_\_  
Acting Executive Director

Attest:

\_\_\_\_\_  
Secretary-Treasurer

APPROVED AS TO FORM:

\_\_\_\_\_  
Randy E. Hayman, General Counsel

**BNY TRUST COMPANY OF MISSOURI**

(SEAL)

By: \_\_\_\_\_  
Title:

Attest:

\_\_\_\_\_  
Title:

**EXHIBIT A**

**TO REGISTRAR AND PAYING AGENT AGREEMENT**

**SCHEDULE OF FEES**

**BNY Trust Company of Missouri**

**Fee Schedule**

**To Provide Paying Agency, Registrar and Dissemination Agency Services  
For Metropolitan St. Louis Sewer District  
(Per Addendum dated February 27, 2004)**

ACCEPTANCE AND REGISTRATION FEE: \$250

Fee is payable in advance at closing.

ANNUAL FEE: \$1,000

Fee is payable semiannually, in advance at closing.

TERMINATION FEE: \$250

This fee will be charged in the event the Metropolitan Sewer District selects another bank or trust company to serve as paying agent prior to the retirement of the bonds

**FEE SCHEDULE NOTES:**

The charges for performing extraordinary services not contemplated at the time of the execution of the Trust documents, or are not identified elsewhere in this fee schedule will be charged commensurate with the service provided. These extraordinary services include, but are not limited to: GIC's, supplemental agreements, consent operations, collateral releases, valuations or substitutions and letter of credit extensions.

**EXHIBIT F**

**PRELIMINARY OFFICIAL STATEMENT**