

**NEW ISSUE—BOOK-ENTRY ONLY**

**RATINGS:** See “RATINGS” herein

*The delivery of the Series 2002A Bonds is subject to the opinion of Katten Muchin Zavis Rosenman, Bond Counsel, to the effect that under existing law, interest on the Series 2002A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and that, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, interest on the Series 2002A Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2002A Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but must be taken into account as earnings and profits of a corporation when computing, for example, corporate minimum taxable income for purposes of the corporate alternative minimum tax. See “TAX EXEMPTION” herein. Interest on the Series 2002A Bonds is not exempt from present Illinois income taxes.*

**\$24,100,000**  
**SOLID WASTE AGENCY OF NORTHERN COOK COUNTY**  
**(ILLINOIS)**  
**Second Lien Contract Revenue Bonds, Series 2002A**

**Dated:** Date of Delivery

**CUSIP:** 665093 CL2

**Due:** May 1, 2015

This Official Statement contains information relating to the Series 2002A Bonds while bearing interest in the Daily Mode, Weekly Mode or the Flexible Mode. Purchasers of the Series 2002A Bonds should not rely on this Official Statement for information relating to the Series 2002A Bonds bearing interest in the Adjustable Long Mode or the Fixed Mode.

The Series 2002A Bonds are fully registered bonds issued in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. DTC is securities depository for the Series 2002A Bonds. Purchasers of the Series 2002A Bonds will not receive certificates representing their interests in the Series 2002A Bonds purchased. Principal of, premium, if any, and interest on the Series 2002A Bonds will be paid by American National Bank and Trust Company of Chicago, Chicago, Illinois, as trustee (the “*Second Lien Trustee*”), to DTC, which in turn will remit such principal, premium, if any, and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2002A Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2002A Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See “DESCRIPTION OF THE SERIES 2002A BONDS—General” herein. During any Daily Mode, Weekly Mode or Flexible Mode, the Series 2002A Bonds are issuable in denominations of \$100,000 or integral multiples thereof.

The Series 2002A Bonds will bear interest at a Weekly Rate from their date of issuance until and unless converted to a different Interest Mode as described herein. The Series 2002A Bonds may bear interest from time to time at a Flexible Rate, a Daily Rate, a Weekly Rate, an Adjustable Long Rate or the Fixed Rate as determined from time to time by the Remarketing Agent, in consultation with the Agency, as described in this Official Statement.

During any Daily Mode or Weekly Mode, Series 2002A Bonds shall be purchased upon the demand of the owner at 100% of the principal amount plus accrued interest, if any, to the date of purchase, after the giving of notice as described in this Official Statement. During any Flexible Mode, Series 2002A Bonds are subject to mandatory purchase on the Interest Payment Date therefor. The Series 2002A Bonds also are subject to optional and mandatory redemption and mandatory purchase prior to maturity as described in this Official Statement.

From the date of original issuance of the Series 2002A Bonds through July 9, 2005 (subject to extension or earlier termination), the Series 2002A Bonds will be payable from funds drawn under an irrevocable direct-pay letter of credit (the “*Initial Letter of Credit*”) issued by

**The Northern Trust Company**

an Illinois banking corporation (the “*Initial Bank*”). The Initial Letter of Credit permits the Second Lien Trustee to draw thereunder in accordance with its terms to pay (i) the principal of the Series 2002A Bonds when due at maturity or upon redemption, (ii) the principal portion of the purchase price of Series 2002A Bonds tendered for purchase and not remarketed and (iii) up to 57 days of interest at 10% per annum (based on a year of 365 days).

The Series 2002A Bonds are issued for the purposes of (i) refunding all of the outstanding Contract Revenue Bonds, Series 1992, of the Agency, (ii) funding a portion of the Series 2002A Debt Service Reserve Account described herein and (iii) paying the expenses of issuance of the Series 2002A Bonds.

The Series 2002A Bonds are limited obligations of the Agency payable from and secured by a pledge of Second Lien Revenues derived by the Agency from the operation of the Solid Waste Disposal Project and certain other moneys and assets, including payments to be made by the Members of the Agency, 23 Illinois municipalities that have agreed to pay the annual cost of the Project pursuant to the Project Use Agreements described herein. The Series 2002A Bonds, together with any future Second Lien Obligations issued and outstanding under the Second Lien Bond Resolution, are payable from such Second Lien Revenues, as more fully described herein.

**The Agency has no taxing power. The Series 2002A Bonds are not general obligations of the Agency or any Member and do not constitute an indebtedness of the Agency or any Member within the meaning of any constitutional or statutory limitation.**

*The Series 2002A Bonds are offered when, as and if issued by the Agency and accepted by the Underwriter, subject to the approval of their validity by Katten Muchin Zavis Rosenman, Chicago, Illinois, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by its counsel, Mayer, Brown, Rowe & Maw, Chicago, Illinois, for the Underwriter by its counsel, Altheimer & Gray, Chicago, Illinois and for the Initial Bank by its special counsel, Gardner, Carton & Douglas, Chicago, Illinois. It is expected that delivery of the Series 2002A Bonds in book-entry form will be made to DTC in New York, New York, on or about July 9, 2002.*

**Legg Mason Wood Walker**  
Incorporated

Dated: July 8, 2002

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

1616 East Golf Road  
Des Plaines, Illinois 60016  
(847) 296-9205

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Arlene Mulder	President	Village of Arlington Heights
Robert R. Irvin	Manager	Village of Barrington
Elliott Hartstein	President	Village of Buffalo Grove
Craig Johnson	President	Village of Elk Grove Village
Edmund Moran, Jr.	Alderman	City of Evanston
Anthony J. Ruzicka, Jr.	President	Village of Glencoe
Lawrence R. Carlson	President	Village of Glenview
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John Willis	Trustee	Village of Inverness
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<i>VICE-CHAIRMAN:</i>	Ronald Wietecha, Mayor, City of Park Ridge
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<i>EXECUTIVE DIRECTOR:</i>	C. Brooke Beal
<i>ASSISTANT DIRECTOR:</i>	Steven Schilling, P.E.

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William R. Balling	Manager	Village of Buffalo Grove
Albert J. Rigoni	Manager	Village of Skokie
Timothy Corcoran	Trustee	Village of Mount Prospect
James Norris	Manager	Village of Hoffman Estates
Edward Rotchford	Mayor	City of Prospect Heights
William Dixon	Manager	Village of Arlington Heights
Ronald Wietecha	Mayor	City of Park Ridge

**Financial Advisor**  
Speer Financial, Inc.  
Chicago, Illinois

**Bond Counsel**  
Katten Muchin Zavis Rosenman  
Chicago, Illinois

**Agency Counsel**  
Mayer, Brown, Rowe & Maw  
Chicago, Illinois

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is being used in connection with the sale of the Series 2002A Bonds and may not be reproduced or be used, in whole or in part, for any other purpose. Certain information contained in this Official Statement has been obtained by the Agency from the Initial Bank, DTC and other sources that are deemed to be reliable; *however*, no representation or warranty is made as to the accuracy or completeness of such information by the Agency. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, sales representative or any other person has been authorized by the Agency to give any information or to make any representation other than as contained in this Official Statement in connection with the offering it describes and, if given or made, such other information or representation must not be relied upon as having been authorized by the Agency. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page and inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of, the Series 2002A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2002A Bonds.

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representations to the contrary is a criminal offense.

**CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES 2002A BONDS. SPECIFICALLY, THE UNDERWRITER MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE SERIES 2002A BONDS IN THE OPEN MARKET. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2002A BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE SERIES 2002A BONDS ARE RELEASED FOR SALE, AND THE SERIES 2002A BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE SERIES 2002A BONDS INTO INVESTMENT ACCOUNTS.**

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## OFFICIAL STATEMENT

\$24,100,000  
SOLID WASTE AGENCY OF NORTHERN COOK COUNTY  
(ILLINOIS)

SECOND LIEN CONTRACT REVENUE BONDS, SERIES 2002A

### INTRODUCTION

This Official Statement, including the cover page and Appendices hereto, provides certain information in connection with the issuance and sale by the Solid Waste Agency of Northern Cook County (the "Agency") of \$24,100,000 aggregate principal amount of its Second Lien Contract Revenue Bonds, Series 2002A (the "*Series 2002A Bonds*"). Certain capitalized terms used in this Official Statement, unless otherwise defined, are defined in APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT USE AGREEMENTS" or in APPENDIX C – "DEFINITIONS AND SUMMARY OF THE SECOND LIEN BOND RESOLUTION."

*This Official Statement describes only the terms and provisions applicable to the Series 2002A Bonds while in the Daily Mode, the Weekly Mode or the Flexible Mode. If the Interest Mode applicable to the Series 2002A Bonds is changed to the Adjustable Long Mode or the Fixed Mode, it is expected that the Agency will supplement this Official Statement or deliver a new official statement or other disclosure document describing the new Interest Mode. Purchasers of the Series 2002A Bonds should not rely on this Official Statement for information relating to the Series 2002A Bonds bearing interest in the Adjustable Long Mode or the Fixed Mode.*

### Authorization

The Series 2002A Bonds are issued pursuant to Section 10 of Article VII of the 1970 Constitution of the State of Illinois, the Intergovernmental Cooperation Act of the State of Illinois, as amended (the "Act"), the Local Government Debt Reform Act of the State of Illinois, as amended, and the agreement entitled "An Agreement Establishing the Solid Waste Agency of Northern Cook County as a Municipal Joint Action Agency," dated as of May 2, 1988, as it may be amended from time to time (the "Agency Agreement"). The Series 2002A Bonds are issued pursuant to a Master Resolution Authorizing Second Lien Contract Revenue Obligations of the Agency, adopted by the Board of Directors of the Agency on June 19, 2002 (the "*Second Lien Master Resolution*"), as supplemented by a First Supplemental Resolution Authorizing Second Lien Contract Revenue Bonds, Series 2002A, adopted by the Board of Directors of the Agency on June 19, 2002 (the "*First Supplemental Resolution*"), providing for the issuance of the Series 2002A Bonds. The Second Lien Master Resolution, the First Supplemental Resolution and any additional Supplemental Resolutions are collectively referred to herein as the "*Second Lien Bond Resolution*." American National Bank and Trust Company of Chicago, Chicago, Illinois, will serve as Trustee pursuant to the Second Lien Bond Resolution (the "*Second Lien Trustee*").

## **First Lien Bonds**

As of the date hereof, the Agency has \$52,385,000 aggregate principal amount of First Lien Bonds (as defined below) outstanding, including Contract Revenue Bonds, Series 1992, in the aggregate principal amount of \$24,635,000 (the “*Series 1992 Bonds*”), Contract Revenue Bonds, Series 1994, in the aggregate principal amount of \$3,230,000 (the “*Series 1994 Bonds*”) and Contract Revenue Bonds, Series 1995A, in the aggregate principal amount of \$24,520,000 (the “*Series 1995 Bonds*”). The Series 1992 Bonds, the Series 1994 Bonds and the Series 1995 Bonds are collectively referred to herein as the “*Outstanding First Lien Bonds*.” A portion of the proceeds of the Series 2002A Bonds will be applied to the refunding of all outstanding Series 1992 Bonds. In addition, the Agency plans to defease certain of the outstanding Series 1995 Bonds. See “PLAN OF FINANCE – Refunding of Series 1992 Bonds” and “ – Planned Defeasance of Certain Outstanding First Lien Bonds.”

The Outstanding First Lien Bonds and any additional bonds issued for refunding purposes under the Master Resolution, adopted by the Board of Directors of the Agency on April 8, 1992, as amended and supplemented (the “*First Lien Bond Resolution*”), are hereinafter referred to as the “*First Lien Bonds*.” The Agency has covenanted in the Second Lien Bond Resolution that it will not issue any First Lien Bonds, except to refund First Lien Bonds then outstanding. The Agency will not issue any First Lien Bonds for such refunding purposes if Aggregate First Lien Debt Service would be increased as a result.

## **The Agency and its Members**

The Agency is a municipal joint action agency, a municipal corporation and a public body politic and corporate of the State of Illinois, organized under Section 3.2 of the Act and established pursuant to an agreement entered into as of May 2, 1988, and entitled: “An Agreement Establishing the Solid Waste Agency of Northern Cook County as a Municipal Joint Action Agency” (the “*Agency Agreement*”). The Agency is comprised of 23 suburban municipalities located principally in an area of Cook County, Illinois that is located north and northwest of the City of Chicago. The Members include municipalities that are home rule units under Section 6 of Article VII of the Illinois Constitution of 1970 (the “*Home Rule Members*”) and municipalities that are non-home rule units (the “*Non-Home Rule Members*”).

The Agency was established to design and develop a system to provide efficient and environmentally sound collection, transportation, transfer, processing, treatment, storage, disposal, recovery and re-use of municipal waste for its Members. As currently defined in the Act, “municipal waste” means garbage, general household, institutional and commercial waste, industrial lunchroom or office waste, landscape waste and construction and demolition debris.

The Members of the Agency are identified in the following table:



Home Rule Members

Village of Arlington Heights  
Village of Buffalo Grove  
Village of Elk Grove Village  
City of Evanston  
Village of Glenview  
Village of Hoffman Estates  
Village of Morton Grove  
Village of Mount Prospect  
Village of Niles  
Village of Palatine  
City of Park Ridge  
City of Rolling Meadows  
Village of Skokie  
Village of South Barrington  
Village of Wheeling  
Village of Wilmette

Non-Home Rule Members

Village of Barrington  
Village of Glencoe  
Village of Inverness<sup>(1)</sup>  
Village of Kenilworth  
Village of Lincolnwood<sup>(1)</sup>  
City of Prospect Heights  
Village of Winnetka

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<sup>(1)</sup> The Villages of Inverness and Lincolnwood joined the Agency as Non-Home Rule Members. Although Inverness and Lincolnwood became home rule units pursuant to referenda held in March, 2000 and November, 1997, respectively, their respective obligations to the Agency remain those of non-home rule units. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS – Project Use Agreements – *Deficiency Charge*.”

**The Solid Waste Disposal Project**

The Agency and each of its 23 Members entered into a Project Use Agreement dated as of March 25, 1992 (the “*Project Use Agreement*” or “*Project Use Agreements*”). Under the Project Use Agreements, the Agency agreed to construct and operate or provide for a solid waste disposal system (the “*Solid Waste Disposal System*”) that was authorized to include as components up to three transfer stations, a landscape waste facility, an administrative facility and a sanitary landfill known as the “*Balefill*.” Under the Project Use Agreements, the Agency also agreed to dispose of waste which was committed by each Member (“*Member System Waste*”). In turn, each Member agreed to deliver its Member System Waste to the Agency and to pay its allocable share of the annual Operation and Maintenance Costs and Fixed Costs of the Project (as defined below).

The obligation of each Member to make the payments required under its Project Use Agreement is unconditional and irrevocable, without setoff or counterclaim and irrespective of whether the Project or any component is ever completed, made available or provided to the Member or whether the Member fails to deliver Member System Waste, and notwithstanding any suspension, interruption, interference, reduction or curtailment of the Project or any component. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT USE AGREEMENTS.”

On February 1, 1994, the Agency opened a 1,500 ton per day capacity transfer station (the “*Glenview Transfer Station*”) and began accepting deliveries of Member System Waste. All 23 Members are currently delivering Member System Waste to the Agency. Under a contract with the Agency, Groot Recycling and Waste Services, Inc. (“*Groot*”) operates the Glenview Transfer Station and provides for the processing of waste delivered to the Agency at the Glenview Transfer Station or at another transfer

station owned by Groot and its hauling to and disposal at privately operated landfills. See “THE SOLID WASTE DISPOSAL PROJECT – Long-Term Contract.”

“*Project*” is defined in the Second Lien Bond Resolution to mean (a) prior to the First Lien Defeasance Date (as defined below), a “waste project” as defined in Section 3.2 of the Act (a “*Waste Project*”) undertaken by or on behalf of the Agency and consisting of the Construction Components and (b) after the First Lien Defeasance Date, (i) a Waste Project undertaken by or on behalf of the Agency and consisting of the Construction Components and (ii) one or more “*Additional Projects*,” which are Waste Projects undertaken by the Agency and approved by the Financing Members, with respect to which each Financing Member undertakes payment obligations substantially the same as those undertaken by such Financing Member under its Project Use Agreement.

### **Use of Proceeds of Series 2002A Bonds**

The proceeds of the Series 2002A Bonds, together with other available funds, will be (i) deposited with American National Bank and Trust Company of Chicago, Chicago, Illinois, as trustee under the First Lien Bond Resolution (the “*First Lien Trustee*”) and applied to refund and redeem all of the outstanding Series 1992 Bonds on the expected date of issuance of the Series 2002A Bonds, (ii) deposited into the Series 2002A Debt Service Reserve Account (as defined herein), as described below under “Series 2002A Debt Service Reserve Account” and (iii) deposited in the Costs of Issuance Account and applied by the Agency to the payment of the costs of issuance of the Series 2002A Bonds. See “PLAN OF FINANCE.”

### **Security for Series 2002A Bonds**

The Series 2002A Bonds constitute Subordinated Indebtedness under the First Lien Bond Resolution and are the first series of Second Lien Obligations issued pursuant to the Second Lien Bond Resolution. The Series 2002A Bonds are limited obligations of the Agency. The payment of the Series 2002A Bonds is secured under the Second Lien Bond Resolution by a pledge of the Trust Estate, which consists of the Second Lien Revenues (as hereinafter defined) and a subordinate assignment of the Project Use Agreements and Customer Contracts, subject to the prior assignment of such rights to the First Lien Trustee pursuant to the First Lien Bond Resolution. The Series 2002A Bonds and any additional bonds issued under the Second Lien Bond Resolution are hereinafter referred to as the “Second Lien Bonds.” No other revenues of the Agency are pledged for the payment of the Series 2002A Bonds.

The Second Lien Bonds are payable from the Second Lien Revenues, which secure the Second Lien Obligations outstanding from time to time under the Second Lien Bond Resolution, including the Series 2002A Bonds, and consist of amounts that may be withdrawn from the Subordinated Indebtedness Fund as described herein, together with all Revenues held by the First Lien Trustee on the date the pledge of Revenues under the First Lien Bond Resolution is discharged and satisfied (except moneys held by the First Lien Trustee (i) for the payment of the First Lien Bonds and (ii) in the Self-Insurance Fund or the Rebate Fund pursuant to the First Lien Bond Resolution), and all Revenues derived from and after such date (such date being referred to as the “*First Lien Defeasance Date*”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS – Description of Second Lien Revenues” and “– Flow of Funds.”

### **Series 2002A Debt Service Reserve Account**

Concurrently with the delivery of the Series 2002A Bonds, the Agency will fund the Debt Service Reserve Account established under the First Supplemental Resolution (the “*Series 2002A Debt Service Reserve Account*”) in the amount of \$2,410,000, being the amount equal to the lesser of (i) 10% of the outstanding principal amount of the Series 2002A Bonds or (ii) the maximum Annual Second Lien Debt Service payable on the Series 2002A Bonds for the current or any future Bond Year (the “*Series 2002A*

*Reserve Requirement*”). The Agency will fund the Series 2002A Debt Service Reserve Account from a combination of Agency funds and proceeds of the Series 2002A Bonds. See “PLAN OF FINANCE – Sources and Uses of Funds” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS – Series 2002A Debt Service Reserve Account.”

### **Initial Letter of Credit**

Concurrently with, and as a condition to, the issuance of the Series 2002A Bonds, the Agency will cause to be delivered to the Second Lien Trustee an irrevocable, direct-pay letter of credit (the “*Initial Letter of Credit*”), issued by The Northern Trust Company (the “*Initial Bank*”), to provide for the timely payment of principal of and interest (calculated for 57 days at the maximum rate of 10% per annum) on, and purchase price of, the Series 2002A Bonds. The Agency will be required to reimburse the Initial Bank for all amounts drawn by the Second Lien Trustee under the Initial Letter of Credit pursuant to the terms of the Reimbursement Agreement dated as of July 1, 2002 (the “*Initial Reimbursement Agreement*”), between the Agency and the Initial Bank. The Initial Letter of Credit will expire on July 9, 2005, unless terminated or extended. See “THE LETTER OF CREDIT.”

Upon expiration or termination of the Initial Letter of Credit or any Substitute Letter of Credit (as hereinafter defined), the Series 2002A Bonds will be subject to mandatory tender for purchase. See “DESCRIPTION OF THE SERIES 2002A BONDS – Tenders - Mandatory Tenders.”

### **Additional Information**

Brief descriptions of the Agency and its financing program, the Series 2002A Bonds, the security for the Series 2002A Bonds, the Letter of Credit, the Project, the Members, the Project Use Agreements, the Act and the Second Lien Bond Resolution are included in this Official Statement. Information regarding the Initial Bank is included in APPENDIX A. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and references herein to the Series 2002A Bonds are qualified in their entirety by reference to the information with respect thereto included in the aforesaid documents and agreements, copies of which are available for inspection at the office of the Agency, 1616 East Golf Road, Des Plaines, Illinois 60016.

Certain terms used in this Official Statement, and not otherwise defined herein, are defined in APPENDIX C — “DEFINITIONS AND SUMMARY OF THE SECOND LIEN BOND RESOLUTION,” under the caption “Definitions.”

## **PLAN OF FINANCE**

### **Refunding of Series 1992 Bonds**

The Agency expects to apply a portion of the proceeds of the Series 2002A Bonds to be used, together with moneys in the debt service reserve account for the Series 1992 Bonds, to refund all outstanding Series 1992 Bonds. The Series 1992 Bonds being refunded mature on May 1 of the years and in the amounts as follows:

<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT</u>
2004	\$ 2,455,000
2005	2,665,000
2006	1,835,000
2007	515,000
2012	12,485,000
2015	4,680,000

The Series 1992 Bonds have been called for redemption on July 9, 2002 (the “*Redemption Date*”), the expected date of issuance of the Series 2002A Bonds, at a redemption price of 101% of the principal amount thereof, plus accrued interest to the Redemption Date.

### Sources and Uses of Funds

The table below shows the estimated sources and uses of funds in connection with the issuance of the Series 2002A Bonds.

#### Sources of Funds:

Principal Amount of Series 2002A Bonds .....	\$24,100,000
Series 1992 Debt Service Reserve Account.....	3,161,253
Agency Funds <sup>(1)</sup> .....	<u>1,000,000</u>
Total Sources of Funds.....	<u>\$28,261,253</u>

#### Uses of Funds:

Refund Series 1992 Bonds .....	\$25,179,826
Deposit to Series 2002A Debt Service Reserve Account <sup>(1)</sup> .....	2,410,000
Underwriting Discount and Costs of Issuance <sup>(2)</sup> .....	<u>671,427</u>
Total Uses of Funds.....	<u>\$28,261,253</u>

<sup>(1)</sup> See “SECURITY AND SOURCES OF PAYMENT FOR SERIES 2002A BONDS – Series 2002A Debt Service Reserve Account.”

<sup>(2)</sup> Includes initial fees for the Initial Letter of Credit and the fees for the interest rate cap described below under “Interest Rate Agreements.”

### Planned Defeasance of Certain Outstanding First Lien Bonds

The Agency has entered into an agreement to purchase U.S. Treasury obligations for delivery on July 24, 2002 (the “*Defeasance Obligations*”), to be deposited into an account to defease the Series 1995 Bonds in the aggregate principal amount of \$22,210,000 (the “*Defeased Series 1995 Bonds*”) maturing on May 1 of the years and in the amounts as follows:

MATURITY DATE (May 1)	PRINCIPAL AMOUNT
2003	\$ 2,235,000 <sup>(1)</sup>
2006	990,000 <sup>(1)</sup>
2009	6,665,000 <sup>(1)</sup>
2015	12,320,000

<sup>(1)</sup> Partial defeasance of outstanding maturity.

The Defeased Series 1995 Bonds will be defeased to maturity, with the Agency reserving the right to call the Defeased Series 1995 Bonds for redemption at any time permitted under the First Lien Bond Resolution.

Neither the maturing principal of, nor the interest earned on, the Defeasance Obligations will serve as security for or be available for the payment of the principal of or interest on the Series 2002A Bonds.

### **Interest Rate Agreements**

Under the First Supplemental Resolution, the Agency is authorized to enter into one or more agreements, the purpose of which is to limit or manage the Agency's interest rate exposure with respect to any of the Series 2002A Bonds or that has the benefit of providing to the Agency an interest rate basis, cash flow basis or other basis different from that provided in the Series 2002A Bonds for the payment of interest. Any such agreement may, but need not, be in the form of a Qualified Swap Agreement.

The Agency intends to enter into an interest rate cap agreement effective on or about the date of issuance of the Series 2002A Bonds to limit its interest rate exposure with respect to the Series 2002A Bonds to a maximum rate of 4.75% for a period ending May 1, 2004. This agreement would constitute a Qualified Swap Agreement pursuant to the Second Lien Bond Resolution.

See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN RESOLUTION – Summary of Certain Provisions of the Second Lien Resolution – Authorization of the Second Lien Bonds and Other Second Lien Obligations.”

## **DESCRIPTION OF THE SERIES 2002A BONDS**

### **General**

The Series 2002A Bonds initially will be dated their date of delivery and will mature on May 1, 2015. From and including the date of the initial authentication and delivery of the Series 2002A Bonds, until changed as described under the subcaption “– Rate Periods and Modes,” the Series 2002A Bonds will be in a Weekly Mode and bear interest at the applicable Weekly Rate. Thereafter, the Series 2002A Bonds may be converted to a Daily Mode, a Flexible Mode, an Adjustable Long Mode or a Fixed Mode. The Daily Mode, Weekly Mode and Flexible Mode (collectively, the “*Short Mode*”) are described below. If any Series 2002A Bonds are converted to an Adjustable Long Mode or a Fixed Mode, it is expected that the Agency will supplement this Official Statement or deliver a new Official Statement or other disclosure document describing the new Interest Mode. For a description of the Adjustable Long Mode or the Fixed Mode, see the First Supplemental Resolution.

The Series 2002A Bonds will be fully registered bonds and are issuable in denominations of \$100,000 and any integral multiple thereof (each an “*Authorized Denomination*”).

The Series 2002A Bonds initially are registered through a book-entry only system operated by The Depository Trust Company, New York, New York (“*DTC*”). Details of payments of the Series 2002A Bonds and the book-entry only system are described in APPENDIX F – “GLOBAL BOOK-ENTRY SYSTEM.” Except as described in Appendix F, beneficial owners of the Series 2002A Bonds will not receive or have the right to receive physical delivery of Series 2002A Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC “*Participant*” (as defined in Appendix F), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and purchase price of, premium, if any, and interest on the Series 2002A Bonds, and to exercise voting rights, and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner’s Participant, to evidence its beneficial ownership of the Series 2002A Bonds. So long as DTC or its nominee is the registered owner of the Series 2002A Bonds, references herein to Bondholders or registered owners of such Series 2002A Bonds mean DTC or its nominee and do not mean the beneficial owners of such Series 2002A Bonds.

Legg Mason Wood Walker, Incorporated, Chicago, Illinois has been appointed as the initial Remarketing Agent for the Series 2002A Bonds and will serve in such capacity for a fee. See “THE REMARKETING AGREEMENT.”

### **Rights of the Bank**

The First Supplemental Resolution grants the Bank certain approval, consent and waiver rights with respect to certain actions that the Agency is authorized to take under the First Supplemental Resolution.

### **Summary of Interest Modes**

For each Interest Mode, the Interest Payment Date and Calculation Method, the Record Date, the Optional Tender Notice, the Optional Tender Date, the date of delivery of Series 2002A Bonds upon Optional Tender, the Rate Determination Date and the Rate Change Date and the Rate Period shall be determined in accordance with the First Supplemental Resolution, the pertinent provisions of which are summarized on the following chart:

	DAILY MODE	WEEKLY MODE	FLEXIBLE MODE
Interest Payment Date and Calculation Method	First Business Day of month, each Adjustment Date and maturity date (on resale dates for remarketed Daily Mode Bank Bonds); on actual days elapsed over 365/366 day year	First Business Day of month, each Adjustment Date and maturity date (on resale dates for remarketed Weekly Mode Bank Bonds); on actual days elapsed over 365/366 day year	Rate Change Date on which next succeeding Flexible Period begins and Adjustment Date at end of Flexible Mode (on resale dates for remarketed Flexible Mode Bank Bonds); on actual days elapsed over 365/366 day year
Interest Payment Period	First Business Day of month through day before first Business Day of following month	First Business Day of month through day before first Business Day of following month	From each Interest Payment Date to and including the day immediately preceding the next succeeding Interest Payment Date
Record Date	Business Day preceding Interest Payment Date	Business Day preceding Interest Payment Date	Business Day preceding Interest Payment Date
Optional Tender Notice	Irrevocable telephonic (confirmed in writing) or written Tender Notice to Second Lien Trustee's Agent and Remarketing Agent; not later than 10:00 a.m., Chicago time, on any Business Day	Irrevocable written Tender Notice to Second Lien Trustee's Agent; not later than 4:00 p.m., Chicago time, on any Business Day	None
Optional Tender Date	Business Day Optional Tender Notice is received (or succeeding Business Day if received after 10:00 a.m. Chicago time)	Business Day specified in Optional Tender Notice at least seven days after receipt of Optional Tender Notice	None
Rate Determination Date	By 8:30 a.m., Chicago time, each Business Day	By 3:00 p.m., Chicago time, each Wednesday or, if Wednesday is not a Business Day, the immediately preceding Business Day	By 11:00 a.m., Chicago time, on the Business Day commencing the relevant Flexible Period
Rate Change Date and Rate Period	Each Business Day; effective through day preceding next Business Day	Thursday of each week; effective to and including the day immediately preceding the next Rate Change Date	The Business Day commencing the relevant Flexible Period; effective for the relevant Flexible Period (not less than 7 nor more than 270 days)

## **Interest**

Each Series 2002A Bond will bear interest from the date of initial issuance and delivery thereof. Interest on the Series 2002A Bonds will be payable on each Interest Payment Date therefor commencing August 1, 2002. Interest on Series 2002A Bonds in a Daily Mode will be equal to the interest accrued thereon, at the Daily Rate, from the later of (i) the first Business Day of each calendar month or (ii) the Adjustment Date for such Daily Mode, to, but not including, the earlier of (a) the first Business Day of the next calendar month or (b) the Adjustment Date for the Mode which succeeds such Daily Mode. Interest on Series 2002A Bonds in a Weekly Mode will be equal to the interest accrued thereon, at the Weekly Rate, for the period from the later of (i) the first Business Day of each calendar month or (ii) the Adjustment Date for such Weekly Mode to, but not including, the earlier of (a) the first Business Day of the next calendar month or (b) the Adjustment Date for the Mode which succeeds such Weekly Mode. Interest on each Series 2002A Bond in a Flexible Mode which is payable on each Interest Payment Date therefor (i.e., the Rate Change Date for such Series 2002A Bond) will be equal to the interest accrued thereon, at the Flexible Rate, from such Rate Change Date for such Series 2002A Bonds to, but not including, the next succeeding Rate Change Date. The foregoing notwithstanding, no interest will accrue on any Series 2002A Bond prior to its date of initial delivery or after the Maturity thereof, or after the redemption or mandatory or optional purchase date for such Series 2002A Bond (provided the redemption or purchase price is paid or provided for in accordance with the provisions of the First Supplemental Resolution), or after the date to which such Series 2002A Bond is paid.

Interest Payment Dates will be (a) for each Series 2002A Bond, each Adjustment Date (including, without limitation, a proposed Fixed Rate Conversion Date) therefor, (b) for any Series 2002A Bond in a Daily Mode, the first Business Day of each calendar month, (c) for any Series 2002A Bond in the Weekly Mode, the first Business Day of each calendar month, (d) for any Series 2002A Bond in a Flexible Mode, each Rate Change Date therefor, (e) for any Bank Bond, the date of resale thereof and such other dates as are provided in the Credit Agreement related thereto and (f) for each Series 2002A Bond, the maturity date thereof. The First Supplemental Resolution does not permit the occurrence of more than one Interest Payment Date in any calendar month, except in the case of the remarketing of Bank Bonds.

## **Interest Rate**

The Series 2002A Bonds will bear interest, when in the Daily Mode, at the Daily Rate, when in the Weekly Mode, at the Weekly Rate, when in the Flexible Mode, at the Flexible Rate and when Bank Bonds at the Bank Rate. The determination of the interest rate on the Series 2002A Bonds as described herein will be conclusive and binding on the owner of the Series 2002A Bonds, the Second Lien Trustee and the Agency. At no time will the Series 2002A Bonds bear interest at a rate higher than 15% per annum (the "*Maximum Rate*"), and at no time shall a Series 2002A Bond entitled to the benefit of a Letter of Credit bear interest at a rate exceeding the Interest Coverage Rate, initially 10% per annum.

All Series 2002A Bonds need not operate in the same Mode at the same time, and portions thereof may be operating in different Modes, and the Mode applicable to all or any portion of the Series 2002A Bonds may be changed as described herein.

*Daily Rate.* No later than 8:30 a.m., Chicago time, on each Business Day during a Daily Mode, the Remarketing Agent will determine a fixed rate per annum to be borne by each Series 2002A Bond (which rate shall be the same for all Series 2002A Bonds in the Daily Mode) bearing interest at the Daily Rate for such Business Day. Such Daily Rate will be equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable each such Series 2002A Bond to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on such date. Except on an Adjustment Date, if a Daily Rate is not determined by the Remarketing Agent, the rate of interest borne by such Series 2002A Bond bearing interest at a Daily Rate shall be equal to the BMA Municipal Index until the Remarketing Agent next determines the Daily Rate as required by the First Supplemental Resolution. See



“DESCRIPTION OF THE SERIES 2002A BONDS – Failure to Determine Interest Rate.” The Second Lien Trustee will provide information regarding the Daily Rate to any Bondholder on written request.

*Weekly Rate.* No later than 3:00 p.m., Chicago time, on Wednesday of each week, or such other day of the week designated as a Rate Determination Date by the Remarketing Agent as described below, or if such day is not a Business Day, then the immediately preceding Business Day, the Remarketing Agent will determine for the period commencing on the immediately succeeding Thursday and ending on the next succeeding Wednesday a fixed per annum interest rate to be borne by each Series 2002A Bond (which rate shall be the same for all Series 2002A Bonds in the Weekly Mode) bearing interest at the Weekly Rate. Such Weekly Rate will be equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable each such Series 2002A Bond to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the immediately succeeding Rate Change Date (i.e., Thursday, or such other day of the week designated as the Rate Change Date by the Remarketing Agent as described below). Except on an Adjustment Date, if the Weekly Rate is not determined by the Remarketing Agent on a Rate Determination Date, the rate of interest borne by such Series 2002A Bonds bearing interest at the Weekly Rate shall be equal to the BMA Municipal Index until the Remarketing Agent next determines the Weekly Rate as required under the First Supplemental Resolution. See “DESCRIPTION OF THE SERIES 2002A BONDS – Failure to Determine Interest Rate.” The Second Lien Trustee will provide information regarding the Weekly Rate to any Bondholder on written request.

If at any time the Remarketing Agent determines, in its judgment, that the scheduled Rate Determination Dates or Rate Change Dates during a Weekly Mode have become inappropriate (taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to the Series 2002A Bonds bearing interest at the Weekly Rate, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise), the Remarketing Agent may, after consultation with the Agency, designate new scheduled Rate Determination Dates and/or Rate Change Dates, to remain in effect until another redetermination of scheduled Rate Determination Dates or Rate Change Dates. The Remarketing Agent will give written notice of any change in scheduled Rate Determination Dates and/or Rate Change Dates during a Weekly Mode to the Second Lien Trustee, the Bank, the Second Lien Trustee’s Agent, if any, and the Agency, and such change will become effective on the first scheduled Rate Determination Date or Rate Change Date, as the case may be, so designated occurring not less than 14 days following the giving of such notice. Promptly upon receipt of such notice, the Second Lien Trustee shall notify or cause the Remarketing Agent to notify each affected Bondholder of such change in writing.

*Flexible Rate.* No later than 11:00 a.m., Chicago time, on the Rate Determination Date for a Series 2002A Bond bearing interest at the Flexible Rate, the Remarketing Agent will determine (a) the duration of the Rate Period for such Series 2002A Bond by specifying the succeeding Rate Change Date (which shall also be the succeeding Rate Determination Date) for such Series 2002A Bond which Rate Change Date shall be no later than the Business Day prior to the Stated Termination Date, if a Letter of Credit is required to be in place and (b) the Flexible Rate applicable to such Series 2002A Bonds bearing interest at the Flexible Rate during Rate Period. The last day of such Rate Period must be a Business Day and the day next succeeding such Business Day must also be a Business Day. The Flexible Rate will be a fixed per annum interest rate equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such Series 2002A Bond to be remarketed at the principal amount thereof on the Rate Change Date for such Rate Period. Except on an Adjustment Date, if the Flexible Rate for any Series 2002A Bond is not determined by the Remarketing Agent on any Rate Determination Date, such Series 2002A Bond will bear interest at a Flexible Rate equal to the BMA Municipal Index for a Rate Period of the shortest possible duration (i.e., a Rate Period ending on the first Business Day which is at least seven days after such Rate Determination Date and which is a day immediately succeeded by a Business Day) until the Remarketing Agent next determines the Flexible Rate, as required under the First Supplemental Resolution. See “DESCRIPTION OF THE SERIES 2002A BONDS – Failure to Determine Interest Rate.”

A Rate Period during a Flexible Mode will have a duration which is not less than seven days or more than 270 days. The Remarketing Agent will determine the duration of Rate Periods during a Flexible Mode as will result, in the judgment of the Remarketing Agent, in the lowest aggregate cost being payable by the Agency with respect to the Series 2002A Bonds bearing interest at Flexible Rates, taking into account interest and any other determinable fees and expenses. The Remarketing Agent may establish different Rate Periods on the same Rate Change Date for Series 2002A Bonds in the Flexible Mode in order to achieve an average duration of Rate Periods that, in the judgment of the Remarketing Agent, is most likely to achieve the lowest total aggregate cost being payable by the Agency with respect to such Series 2002A Bonds, taking into account interest and any other determinable fees and expenses. The Remarketing Agent's determination will be based upon the market for, and the relative yields of, the Series 2002A Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the judgment of the Remarketing Agent, are otherwise comparable to the Series 2002A Bonds, or any fact or circumstance relating to the Series 2002A Bonds, affecting the market for the Series 2002A Bonds or affecting such other comparable securities in a manner that, in the judgment of the Remarketing Agent, will affect the market for the Series 2002A Bonds. The Remarketing Agent's determination will be conclusive and binding upon all parties. The Second Lien Trustee will provide information regarding the Flexible Rate and Rate Periods to any Bondholder on written request.

### **Rate Periods and Modes**

All Series 2002A Bonds need not operate in the same Mode at the same time. The Modes are the Daily Mode, the Weekly Mode, the Flexible Mode, one or more Adjustable Long Modes and the Fixed Mode. All Series 2002A Bonds in the Daily Mode will bear interest at the same interest rate and all Series 2002A Bonds in the Weekly Mode will bear interest at the same interest rate. Series 2002A Bonds operating in the Flexible Mode may bear interest at different rates for different Rate Periods and at different rates for the same Rate Period.

The Agency may designate a different Mode with respect to any Series 2002A Bond during a Flexible Mode on any Rate Change Date and during a Daily Mode or a Weekly Mode on any Business Day. The Agency may establish different Modes and, within a Flexible Mode, the Remarketing Agent may establish different Rate Periods, for Series 2002A Bonds on the same Adjustment Date in order to achieve an average duration of Rate Periods that, in the judgment of the Remarketing Agent, is most likely to achieve the lowest total aggregate cost payable by the Agency with respect to the Series 2002A Bonds, taking into account interest and any other determinable fees and expenses and taking into account any Qualified Swap Agreement relating to such Series 2002A Bonds. The Remarketing Agent's determination will be based upon the market for and the relative yields of the Series 2002A Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the judgment of the Remarketing Agent, are otherwise comparable to the Series 2002A Bonds, or any fact or circumstance relating to the Series 2002A Bonds or affecting the market for the Series 2002A Bonds or affecting such other comparable securities in a manner that, in the judgment of the Remarketing Agent, will affect the market for the Series 2002A Bonds. The Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations required by the First Supplemental Resolution, but the Remarketing Agent's determination will be based solely upon the Remarketing Agent's judgment, and the Remarketing Agent's determination will be conclusive and binding upon all parties.

The foregoing notwithstanding, the Agency may select any Mode and, within a Flexible Mode, the Remarketing Agent may designate any Rate Period which does not meet the foregoing standards, provided that such designation is accompanied by the written approval of the Agency or an opinion of Bond Counsel to the effect that such approval is not required for the continued validity and enforceability of the Series 2002A Bonds in accordance with their terms.

If the Agency designates a Short Mode for any Series 2002A Bond that had been operating in an Adjustable Long Mode, or if the Agency designates an Adjustable Long Mode for any Series 2002A Bond that had been operating in a Short Mode, the Agency is required to deliver to the Second Lien Trustee, the Second Lien Trustee's Agent, if any, the Bank and the Remarketing Agent an opinion of Bond Counsel to the effect that such designation (i) is authorized or permitted by the First Supplemental Resolution, (ii) will not have an adverse effect on any exclusion from gross income of interest on the Series 2002A Bonds for Federal income tax purposes and (iii) will not have an adverse effect on the validity or enforceability of any Series 2002A Bond. Such opinion of Bond Counsel must be delivered with the notice described in the following paragraph and the conclusion of such opinion must be reaffirmed on the applicable Adjustment Date.

In addition, the Agency has agreed in the Initial Reimbursement Agreement not to direct a conversion of the Series 2002A Bonds to the Fixed Mode or the Adjustable Long Mode without the prior written consent of the Initial Bank.

The Agency will evidence each designation of a subsequent Mode and Adjustment Date for the Series 2002A Bonds by giving written notice to the Second Lien Trustee, the Second Lien Trustee's Agent, if any, the Remarketing Agent, the Bank and each rating agency then maintaining a rating on the Series 2002A Bonds, specifying (i) the Mode or Modes in which such Series 2002A Bonds will operate during such Adjustment Period and the commencement date of such Adjustment Period and (ii) if such Mode is to be an Adjustable Long Mode, the duration of such Adjustment Period for each Series 2002A Bond affected thereby, the Rate Determination Date or Dates, the Rate Change Date or Dates therefor and the applicable optional redemption provisions determined in accordance with the provisions of the First Supplemental Resolution; provided that (A) if such Adjustment Period is an Adjustable Long Mode or a Flexible Mode, the first day following each Rate Period therein must be a Business Day and (B) if a Letter of Credit is required, the Letter of Credit must provide enough days of interest coverage after the Adjustment Date as may be required by any rating agency then maintaining a rating on the Series 2002A Bonds to continue such rating. In addition, the Second Lien Trustee must receive, not later than the 20th day prior to the Adjustment Date with respect to the new Adjustment Period, written evidence from each rating agency then maintaining a rating on such Series 2002A Bonds that the then-current rating on such Series 2002A Bonds will not be reduced or withdrawn due to the conversion of such Series 2002A Bonds to an Adjustable Long Mode or Flexible Mode, as applicable. Upon receipt of such notice from the Agency, the Second Lien Trustee, at least 15 days prior to each succeeding Adjustment Date, will give Immediate Notice to each owner of Series 2002A Bonds thereby affected bearing interest at a Daily Rate or a Weekly Rate of the mandatory tender for purchase of the affected Series 2002A Bonds on the Adjustment Date.

*Fixed Rate Conversion.* On any Rate Change Date during a Flexible Mode, or on any Business Day during a Daily Mode or a Weekly Mode, at the direction of the Agency, the interest rate to be borne by all or any portion of the Series 2002A Bonds may be converted to a Fixed Rate, and such Series 2002A Bonds so converted thereafter will bear interest at such Fixed Rate until maturity or earlier redemption. Such direction of conversion will be accompanied by, among other things, (i) a firm underwriting or purchase contract from a recognized firm of bond underwriters or recognized institutional investors to underwrite or purchase all Series 2002A Bonds which are to be converted on such Fixed Rate Conversion Date at a price of 100% of the principal amount thereof and (ii) an opinion of Bond Counsel to the effect that such conversion (A) is authorized or permitted by the First Supplemental Resolution, (B) will not have an adverse effect on any exclusion from gross income of interest on the Series 2002A Bonds for Federal income tax purposes and (C) will not have an adverse effect on the validity or enforceability of any Series 2002A Bond of such series. The conversion of the interest rate borne by Series 2002A Bonds to a Fixed Rate will not become effective unless, on the applicable Fixed Rate Conversion Date, the Second Lien Trustee has received an opinion of Bond Counsel, dated the applicable Fixed Rate Conversion Date, reaffirming its earlier opinion.

At least 15 days prior to the Fixed Rate Conversion Date, the Second Lien Trustee will give or cause the Remarketing Agent to give written notice of such election by the Agency to the registered owners of all Series 2002A Bonds to be converted bearing interest at a Daily Rate or a Weekly Rate, which notice will state (i) the Fixed Rate Conversion Date and (ii) that such Series 2002A Bonds will be subject to mandatory purchase on such Fixed Rate Conversion Date.

If the conversion of the interest rate on any Series 2002A Bond does not occur for any reason, including if any condition precedent to the conversion has not occurred, such Series 2002A Bond will bear interest from and after the proposed Fixed Rate Conversion Date in the same Mode as the Mode applicable to such Series 2002A Bond prior to the proposed Fixed Rate Conversion Date and at the interest rate as calculated in the manner set forth under the subcaptions “– Interest” and “– Interest Rate,” above.

### **Failure to Determine Interest Rate**

If (i) the Remarketing Agent does not determine the interest rate applicable to the initial Rate Period during a new Mode with respect to any Series 2002A Bond, or (ii) an opinion of Bond Counsel required with respect to a change in Mode of any Series 2002A Bond as described above under the subcaption “– Rate Periods and Modes” is not delivered or reaffirmed on the applicable Adjustment Date, the immediately succeeding Mode with respect to the Series 2002A Bonds in the Mode then ending will be a Daily Mode with a Daily Rate established by the Remarketing Agent, or if the Remarketing Agent fails to set such Rate, such Daily Rate shall be equal to the BMA Municipal Index.

### **Letter of Credit Not Required in Certain Circumstances**

Prior to the Fixed Rate Conversion Date therefor, Series 2002A Bonds are not required to have the benefit of a Letter of Credit with respect to 100% of the outstanding principal amount of such series of Series 2002A Bonds if, prior to the expiration or termination of the Letter of Credit then in effect, there is delivered to the Agency, the Remarketing Agent, the Second Lien Trustee and the Second Lien Trustee’s Agent: (i) an opinion of Bond Counsel to the effect that the expiration or termination of the Letter of Credit then in effect will not adversely affect the validity of such Series 2002A Bonds or any exclusion from gross income for Federal income tax purposes of interest on the Series 2002A Bonds and (ii) written evidence from each rating agency then maintaining a rating on such Series 2002A Bonds that the ratings on such Series 2002A Bonds (other than Series 2002A Bonds in the Fixed Mode) following the expiration or termination of the Letter of Credit will not be reduced or withdrawn from the rating on such Series 2002A Bonds immediately prior to such expiration or termination. Series 2002A Bonds bearing interest at a Fixed Rate are not required to have the benefit of a Letter of Credit after the Fixed Rate Conversion Date applicable to such Series 2002A Bonds.

Upon satisfaction of the requirements described in the paragraph above, (i) the Second Lien Trustee, upon receipt of the written request of the Agency, shall direct or send appropriate notice to the Bank requesting or directing the cancellation of the Letter of Credit then in effect on the date (the “*Letter of Credit Cancellation Date*”) requested by the Agency in such written request, which date may not be fewer than 30 days, or such longer period as is required by the Credit Agreement for its termination at the request of the Agency, from the date the Second Lien Trustee receives such written request and (ii) following the date of such cancellation, all Tendered Bonds may be remarketed by the Remarketing Agent pursuant to the Remarketing Agreement without the benefit of a Letter of Credit until such time, if any, as the Series 2002A Bonds are thereafter entitled to the benefits of a Letter of Credit pursuant to the provisions of the First Supplemental Resolution, but only if there is delivered to the Agency, the Second Lien Trustee, the Second Lien Trustee’s Agent and the Remarketing Agent an opinion of Bond Counsel to the effect that the execution and delivery of the Letter of Credit will not adversely affect the validity of such Series 2002A Bonds or any exclusion from gross income for Federal income tax purposes of interest on the Series 2002A Bonds. The Series 2002A Bonds are subject to mandatory tender on each applicable

Letter of Credit Cancellation Date as described below under the subcaption “ – Tenders – Mandatory Tender.”

## **Tenders**

*Optional Tender.* Each owner of any Series 2002A Bond (other than a Bank Bond) during a Daily Mode or a Weekly Mode may demand that its Series 2002A Bond be purchased, in whole (or in part in an Authorized Denomination), on any Demand Date therefor during the Daily Mode or the Weekly Mode, respectively, at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Demand Date.

To effect such purchase during a Daily Mode, an owner must deliver, on a Business Day, to both the Second Lien Trustee’s Agent and the Remarketing Agent irrevocable telephonic or written notice (which telephonic notice shall be confirmed in writing and which written notice may be given by telecopy), which notice must be received not later than 10:00 a.m., Chicago time, on a Business Day in order to be effective on that date. Any notice received after 10:00 a.m., Chicago time, on a Business Day shall be deemed given on the next succeeding Business Day. The Business Day on which any such notice is deemed given will be the Demand Date for the applicable Tendered Bond. Such notice must specify the principal amount and number of such Tendered Bond, the name and address of such owner and the taxpayer identification number, if any, of such owner.

To effect such purchase during a Weekly Mode, an owner must deliver, on a Business Day, to the Second Lien Trustee’s Agent irrevocable written notice (which may be given by telecopy), which notice must be received by the Second Lien Trustee’s Agent and the Remarketing Agent not later than 4:00 p.m., Chicago time, on a Business Day in order to be effective on that day. Any notice received after 4:00 p.m., Chicago time, on a Business Day shall be deemed given on the next succeeding Business Day. Such notice must specify (i) the principal amount and number of such Tendered Bond, the name and address of such owner and the taxpayer identification number, if any, of such owner and (ii) the Demand Date on which such Tendered Bond is to be purchased. Such Demand Date must be a Business Day not less than seven calendar days after the date such notice is received by the Second Lien Trustee.

Bonds in a Flexible Mode are not subject to optional tender.

*Mandatory Tender.* Series 2002A Bonds (other than those described below) are subject to mandatory tender by the owners thereof to the Second Lien Trustee at its principal office on each date described below at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date therefor (unless purchased on an Interest Payment Date):

(i) with respect to any Series 2002A Bond bearing interest at a Flexible Rate, on each Rate Change Date for such Series 2002A Bond other than the Rate Change Date which is the first day of a Flexible Mode applicable to such Series 2002A Bond;

(ii) on each Adjustment Date, including, without limitation, a proposed Fixed Rate Conversion Date, applicable to any Series 2002A Bonds (other than a Bank Bond) which are proposed to be converted to a different Mode or a Substitute Adjustment Date;

(iii) during the period a Letter of Credit is required, on a Business Day designated by the Second Lien Trustee, which date will be no more than 15 days after the Second Lien Trustee receives written notice from the Bank that an event of default has occurred and is continuing under the Credit Agreement, or that the Bank is not reinstating the interest portion of the Letter of Credit, with the effect that the Letter of Credit is being terminated by the Bank, and in no event later than the Business Day prior to the last day on which funds will be available under the Letter of Credit;

(iv) (a) on the Business Day immediately preceding the Stated Termination Date of a Letter of Credit if (1) a Letter of Credit is required to be in effect, and (2) by the 20th day preceding a Stated Termination Date, a notice of extension of the current Letter of Credit or a Substitute Letter of Credit has not been delivered or (b) on the Business Day immediately preceding any “*Substitution Date*”, being the day upon which a Substitute Letter of Credit becomes effective, if a Letter of Credit is required to be in effect, unless each Rating Agency then providing a short-term rating on such Series 2002A Bonds confirms that such short-term rating will not be withdrawn or reduced as the result of the delivery of such Substitute Letter of Credit; and

(v) on the Business Day prior to the Letter of Credit Cancellation Date, if a Letter of Credit is no longer required pursuant to the First Supplemental Resolution.

In the case of clauses (i) and (ii) above, the Series 2002A Bonds that are the subject of such events are subject to mandatory tender. In the case of clauses (iii), (iv) and (v), all Series 2002A Bonds are subject to mandatory tender (except to the extent set forth in clause (iv)). An owner of a Series 2002A Bond subject to mandatory tender may not elect to retain its Series 2002A Bonds.

No notice will be given for a mandatory tender described in clause (i) above of Series 2002A Bonds bearing interest at a Flexible Rate.

With respect to a mandatory tender described in clause (ii) above of Series 2002A Bonds bearing interest at a Daily Rate or a Weekly Rate, not later than the 15th day next preceding the Adjustment Date with respect thereto, the Second Lien Trustee is required to give Immediate Notice to the owners of such Series 2002A Bonds stating the last day of the Adjustment Period then ending and that such Series 2002A Bonds are required to be purchased on such Adjustment Date. The foregoing notwithstanding, the failure of the Second Lien Trustee to give such notice shall not affect the requirement of such owners to tender their Series 2002A Bonds on the Adjustment Date.

With respect to a mandatory tender described in clause (iii) above, all Series 2002A Bonds are required to be purchased on a Business Day designated in the notice from the Second Lien Trustee referred to in clause (iii), no more than 15 days after the receipt of such notice and at least one Business Day prior to the last day on which funds will be available under the Letter of Credit.

With respect to a mandatory tender described in clause (iv)(a) above, not later than the 15th day preceding the Stated Termination Date of the Letter of Credit, if no extension of such Letter of Credit or no Substitute Letter of Credit has been delivered, the Second Lien Trustee shall give Immediate Notice to the owners of the Series 2002A Bonds stating (i) the Stated Termination Date, (ii) that no Substitute Letter of Credit has been received as of the date of such notice and (iii) that the Series 2002A Bonds are required to be purchased on the Business Day immediately preceding the Stated Termination Date.

With respect to a mandatory tender described in clause (v) above, not later than the 15th day preceding the Letter of Credit Cancellation Date, the Second Lien Trustee shall give Immediate Notice to the owners of the Series 2002A Bonds stating (i) that the existing Letter of Credit is to be canceled pursuant to the First Supplemental Resolution and (ii) the Series 2002A Bonds are required to be purchased on the Business Day prior to the Letter of Credit Cancellation Date.

With respect to a mandatory tender described in clause (iv)(b) above, not later than the 15th day preceding a Substitution Date, the Second Lien Trustee shall give Immediate Notice to the owners of the Series 2002A Bonds stating (i) the Substitution Date and (ii) the Series 2002A Bonds are required to be purchased on the Business Day prior to the Substitution Date (unless the rating agency then providing a short-term rating on such Series 2002A Bonds confirms that such rating will not be withdrawn or reduced as the result of the delivery of such Substitute Letter of Credit).

*Purchase of Tendered Bonds.* Tendered Bonds will be purchased from the following sources in order of priority indicated:

- (i) proceeds from the remarketing of Tendered Bonds pursuant to the Remarketing Agreement (other than Tendered Bonds sold to the Agency);
- (ii) moneys received from the underwriter or purchaser (other than the Agency) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate;
- (iii) proceeds of the Letter of Credit, to the extent a Letter of Credit is available; and
- (iv) Eligible Moneys furnished by the Agency to the Second Lien Trustee, provided that the conditions of the First Supplemental Resolution relating to the remarketing of Tendered Bonds to the Agency are satisfied.

The Second Lien Trustee's Agent is required to pay the purchase of each Tendered Bond to the registered owner thereof by 1:30 p.m., Chicago time, on the purchase date, provided that such owner has delivered such Tendered Bond with any necessary endorsements to the designated office of the Second Lien Trustee's Agent no later than 12:00 noon, Chicago time, on such date.

*Undelivered Tendered Bonds.* If sufficient moneys are on deposit with the Second Lien Trustee to pay the applicable purchase price of any Tendered Bond, such Tendered Bond will be deemed to have been purchased whether or not delivered by the owner thereof on the date such Tendered Bond is to be purchased. If any such purchased Tendered Bond is not so delivered, the City will execute and the Second Lien Trustee will authenticate and deliver a replacement Series 2002A Bond of like date, Maturity Date and denomination as the Tendered Bond and bearing a number not contemporaneously outstanding.

## **Redemption**

*Optional Redemption during Daily Mode or Weekly Mode.* During any Daily Mode or Weekly Mode, the Series 2002A Bonds in such Mode are subject to redemption prior to their Maturity Date, at the option of the Agency, from Eligible Moneys, in whole or in part (and if in part in an Authorized Denomination) on any Business Day during such Daily Mode or Weekly Mode, as applicable, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

In addition, the Agency will agree in the Initial Reimbursement Agreement to cause the Series 2002A Bonds to be optionally redeemed as described above on May 1 in each of the years and in the respective principal amounts set forth below:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2003	\$1,200,000
2004	1,200,000
2005	1,300,000
2006	1,400,000
2007	1,500,000
2008	2,000,000
2009	2,000,000
2010	2,100,000
2011	2,200,000
2012	2,200,000
2013	2,300,000
2014	2,300,000
2015 (maturity)	2,400,000

The amounts of the Series 2002A Bonds to be optionally redeemed by the Agency pursuant to the above schedule may be reduced with the consent of the Initial Bank and without notice to or consent of the owners of the Series 2002A Bonds.

*Optional Redemption during Flexible Mode.* During any Flexible Mode, the Series 2002A Bonds in such Mode are subject to optional redemption prior to their Maturity Date, at the option of the Agency, from Eligible Moneys, in whole or in part (and if in part in an Authorized Denomination) on any Rate Change Date therefor, at a redemption price of 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

*Extraordinary Mandatory Redemption of Series 2002A Bonds.* The Series 2002A Bonds shall be subject to extraordinary redemption prior to maturity, as a whole or in part (and, if in part, in an Authorized Denomination), at the direction of the Agency, on the earliest practicable date in the event that the Agency sells, leases or otherwise disposes of all or a portion of the 126 acre property described under the heading “THE SOLID WASTE DISPOSAL PROJECT – Balefill” as the balance of the Balefill site (the “*Balefill Property*”) financed or refinanced with the proceeds of the Series 2002A Bonds to a person or entity unrelated to the Agency. Such redemption shall be in the amount and take place at the time stated in a written statement of Bond Counsel to the effect that, unless the Series 2002A Bonds are redeemed and retired in the amount stated therein either prior to or concurrently with such sale, lease or other disposition or on a subsequent date, such Bond Counsel will be unable to render the unqualified opinion to the effect that such sale, lease or other disposition of all or a portion of such property will not adversely affect the excludability from gross income, for Federal income tax purposes, of the interest on the Series 2002A Bonds. Such redemption shall be at a price equal to the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

*Redemption or Defeasance Pursuant to Initial Reimbursement Agreement.* The Agency has agreed in the Initial Reimbursement Agreement that, to the extent permitted by law and the First Lien Bond Resolution and to the extent it can be done without having an adverse effect on any exclusion from gross income for Federal income tax purposes of interest on the Series 2002A Bonds, that it will use all funds received from the sale of the Balefill Property for the defeasance or redemption of indebtedness outstanding under the First Lien Bond Resolution and thereafter to the defeasance or redemption of the Series 2002A Bonds. The agreement of the Agency to defease or redeem the Series 2002A Bonds



described above may be waived by the Initial Bank or amended by the Agency and the Initial Bank without notice to or consent of the owners of the Series 2002A Bonds.

*Redemption Procedures.* No optional redemption of less than all of the Series 2002A Bonds outstanding will be made unless the aggregate principal amount of Series 2002A Bonds to be redeemed is equal to \$100,000 or integral multiples thereof. Any redemption of less than all of the Series 2002A Bonds outstanding will be made in such a manner that all Series 2002A Bonds outstanding after such redemption are in Authorized Denominations.

The Agency has agreed in the Initial Reimbursement Agreement not to direct the Second Lien Trustee to give notice of the optional redemption of any of the Series 2002A Bonds, other than as described in the second paragraph under “Optional Redemption during Daily Mode or Weekly Mode” above, unless the Agency (i) deposits in an account with the Second Lien Trustee prior to the giving of such direction an amount equal to such optional redemption payment to reimburse the Initial Bank for any Series 2002A Bonds optionally redeemed or (ii) makes such direction contingent upon funds of the Agency being so deposited in an amount sufficient to reimburse the Initial Bank.

If less than all of the Series 2002A Bonds are called for redemption under provisions of the First Supplemental Resolution permitting partial redemption, the particular Series 2002A Bonds (or portions thereof) to be redeemed will be selected by the Agency, in the principal amount designated by the Agency, which designation is required to include the Mode and particular Maturity Date of Series 2002A Bonds to be redeemed, or as otherwise required by the First Supplemental Resolution; provided that (i) in the case of the redemption of less than all of the Series 2002A Bonds which bear interest in the same Mode at the same rate for the same Rate Periods, such redemption will be by lot in such manner as the Second Lien Trustee may determine among such Series 2002A Bonds and (ii) subject to other applicable provisions of the First Supplemental Resolution, the portion of any Series 2002A Bond to be redeemed will be in a principal amount equal to an Authorized Denomination. In selecting Series 2002A Bonds for redemption, the Second Lien Trustee will treat each Series 2002A Bond as representing that number of Series 2002A Bonds which is obtained by dividing the principal amount of such Series 2002A Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Series 2002A Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the owner of such Series 2002A Bond will forthwith surrender such Series 2002A Bond to the Second Lien Trustee for payment to such owner of the redemption price of the integral multiple of the Authorized Denomination of principal amount called for redemption; and the Second Lien Trustee will deliver to such owner a new Series 2002A Bond or Series 2002A Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Series 2002A Bond. New Series 2002A Bonds representing the unredeemed balance of the principal amount of such Series 2002A Bond will be issued to the registered owner thereof without charge therefor. Any redemption of less than all of the Series 2002A Bonds outstanding will be made first from Bank Bonds.

Should the Second Lien Trustee have knowledge of an Event of Default under the Second Lien Bond Resolution, there shall be no partial redemption of the Series 2002A Bonds.

*Notice of Redemption.* For a description of the giving of notices while the Series 2002A Bonds are in the book-entry only system, see APPENDIX F - “GLOBAL BOOK-ENTRY SYSTEM.” Whenever Series 2002A Bonds are to be redeemed, the Second Lien Trustee shall give notice of the redemption of the Series 2002A Bonds, which notice shall specify, among other things, the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the Series 2002A Bonds which are the subject of such notice. Except as provided in the next sentence, notice of the redemption of Series 2002A Bonds will be given by first class mail, postage prepaid, not less than 30 days or more than 45 days prior to the redemption date, to the registered owners of the Series 2002A Bonds to be redeemed at their addresses as shown on the Bond Register.

Prior to the date that the redemption notice is first given as aforesaid, funds shall be placed with the Second Lien Trustee to pay such Series 2002A Bonds, any premium thereon, and accrued interest thereon to the redemption date, which moneys shall be Eligible Moneys to the extent such payments are required to be made with Eligible Moneys, or such notice shall state that any redemption is conditional on such funds being deposited on the redemption date, and that failure to deposit such funds shall not constitute an Event of Default under the First Supplemental Resolution. Failure to give notice in the manner described above or a defect in the notice as to any Series 2002A Bond will not affect the validity of any proceedings for redemption as to any Series 2002A Bond for which notice is properly given. Interest will not accrue after the redemption date on any Series 2002A Bond called for redemption if notice has been given and if sufficient moneys have been deposited with the Second Lien Trustee to pay principal of, premium, if any, and interest on such Series 2002A Bonds to the redemption date.

### **Bond Registration and Transfers**

For a description of the procedure to transfer ownership of a Series 2002A Bond while in the book-entry only system, see APPENDIX F - "GLOBAL BOOK-ENTRY SYSTEM." Subject to the limitations described herein, the Series 2002A Bonds are transferable upon surrender thereof at the principal corporate trust office of the Second Lien Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to, the Second Lien Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing. Subject to the limitations described below, any Series 2002A Bond may be exchanged at the principal corporate trust office of the Second Lien Trustee upon surrender thereof, together with an assignment duly executed by the registered owner thereof or such registered owner's attorney in such form and with guarantee of signature as shall be satisfactory to the Second Lien Trustee for an equal aggregate principal amount of Series 2002A Bonds of like date and tenor of any Authorized Denomination as the Series 2002A Bonds surrendered for exchange bearing numbers not contemporaneously outstanding. The Second Lien Trustee and the Agency may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Series 2002A Bond (except in connection with any partial redemption thereof). Prior to the Fixed Rate Conversion Date for any Series 2002A Bond, the Second Lien Trustee shall not be required to exchange or register the transfer of any Series 2002A Bonds after the mailing of notice calling such Series 2002A Bond for redemption has been made as provided in the First Supplemental Resolution, except that the Agency and the Second Lien Trustee shall be required to issue or register the transfer of Tendered Bonds after such date of mailing of notice or redemption.

### **Effect on Series 2002A Bonds of Discontinuance of Book-Entry System.**

The following four paragraphs apply to the Series 2002A Bonds when not in the Book-Entry System:

Principal of and premium, if any, on Series 2002A Bonds bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate will be payable upon the presentation and surrender thereof at the principal corporate trust office of the Second Lien Trustee. The purchase price of Series 2002A Bonds upon optional or mandatory tender will be payable upon the presentation and surrender thereof at the principal corporate trust office of the Second Lien Trustee's Agent or at such other office as may be designated by the Second Lien Trustee.

Payment of interest on Series 2002A Bonds bearing interest at a Daily Rate or a Weekly Rate is payable by a check mailed on the applicable Interest Payment Date to the registered owner thereof as of the close of business of the Second Lien Trustee on the Record Date at the address of such owner as it appears on the Bond Register or at such other address as is furnished to the Second Lien Trustee in writing by such owner not later than the Record Date. Payment of interest on Series 2002A Bonds bearing interest at a Flexible Rate shall be made to the registered owner thereof as of the close of business of the Second Lien Trustee on the Record Date upon presentation and surrender of such Series 2002A

Bonds at the principal corporate trust office of the Second Lien Trustee on the applicable Interest Payment Date. Payment of interest on any Series 2002A Bonds shall be made to any registered owner of \$1,000,000 or more aggregate principal amount of Series 2002A Bonds as of the close of business of the Second Lien Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such registered owner on such Interest Payment Date upon written notice from such registered owner containing the wire transfer address within the United States of America to which such registered owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date, provided that such wire transfer only shall be made for Series 2002A Bonds bearing interest at the Flexible Rate, upon presentation and surrender of such Series 2002A Bonds at the principal corporate trust office of the Second Lien Trustee on the applicable Interest Payment Date.

Notwithstanding the foregoing, payment of defaulted interest on Series 2002A Bonds will be made to the persons who shall be the registered owners thereof on the Special Record Date fixed by the Second Lien Trustee which shall be not more than 15 or less than 10 days prior to the date of the proposed payment of such defaulted interest, which shall not be less than 10 days after receipt by the Second Lien Trustee of the notice of the proposed payment.

“*Record Date*” means the Business Day immediately preceding each Interest Payment Date for each Series 2002A Bond.

## **THE LETTER OF CREDIT**

*The following summarizes certain provisions of the Initial Letter of Credit and the Initial Reimbursement Agreement, to which reference is made for the detailed provisions thereof.*

### **Initial Letter of Credit**

*Original Stated Amount of, and Drawings Under, the Initial Letter of Credit.* The Series 2002A Bonds are secured initially by an irrevocable, transferable, direct-pay Letter of Credit (the “*Initial Letter of Credit*”) issued by the Initial Bank. The Initial Letter of Credit is issued to the Second Lien Trustee for the benefit of the Bondholders and for the account of the Agency and is an irrevocable obligation of the Initial Bank to pay a total amount not to exceed \$24,476,357 (the “*Original Stated Amount*”). Of the Original Stated Amount, an amount not exceeding \$24,100,000 may be drawn with respect to the principal, or the principal component of the purchase price, of the Series 2002A Bonds, and an amount not exceeding \$376,357 (representing 57 days’ interest at a maximum rate of 10% per annum based on a year of 365 days) may be drawn upon with respect to interest payable on, or the interest component of the purchase price of, the Series 2002A Bonds. The foregoing notwithstanding, the Initial Letter of Credit is not available to secure payment of with respect to Bank Bonds (as defined in the First Supplemental Resolution), Series 2002A Bonds held by the Agency or Series 2002A Bonds bearing interest at a Fixed Rate or an Adjustable Long Rate.

*Reductions in the Original Stated Amount and Reinstatement.* The Original Stated Amount will be reduced automatically by the amount of any drawing under the Initial Letter of Credit, subject, in the case of certain drawings for interest and drawings to pay the purchase price of Series 2002A Bonds, to reinstatement as described below (the Original Stated Amount, as so reduced and reinstated, the “*Available Amount*”).

A drawing on the Initial Letter of Credit upon the maturity of the Series 2002A Bonds will permanently reduce the Available Amount of the Initial Letter of Credit by the amount of such drawing and the Available Amount will not subsequently be reinstated by reason of repayment of such draw.

Following a reduction in the Available Amount after the honoring of a drawing under the Initial Letter of Credit to pay interest on the Series 2002A Bonds (other than for interest on principal of a Series

2002A Bond being paid and cancelled or interest included in the purchase price of Series 2002A Bonds), the reduction will be reinstated on the seventh calendar day following the day the Initial Bank honors such drawing unless the Second Lien Trustee receives written notice from the Initial Bank prior to the close of business on the sixth calendar day following the day that the Initial Bank honors such interest drawing stating that an event of default under the Initial Reimbursement Agreement has occurred and is then continuing and as a consequence thereof the Available Amount under the Initial Letter of Credit attributable to such interest drawing will not be reinstated.

Following the honoring of a drawing under the Initial Letter of Credit to pay the purchase price of Series 2002A Bonds, the Available Amount of the Initial Letter of Credit will be reinstated by the amount of such drawing when the Initial Bank is reimbursed for honoring such demand for payment.

*Expiration or Early Termination of the Initial Letter of Credit.* The Initial Letter of Credit shall automatically terminate upon the earliest of the close of business on: (i) July 9, 2005 (such date, as may be extended from year to year pursuant to the terms of the Initial Reimbursement Agreement, being called the “*Stated Expiration Date*”), (ii) the date that (A) the Initial Bank receives notification from the Second Lien Trustee that the Initial Letter of Credit has been replaced by a Substitute Letter of Credit (as defined in the First Supplemental Resolution), (B) the Initial Bank receives notification from the Second Lien Trustee that the interest rate borne by all of the Series 2002A Bonds has been converted to the Fixed Rate or Adjustable Long Rate, (C) the Initial Bank has paid a demand for payment after which there will be no outstanding Series 2002A Bonds after such payment or (D) the Stated Amount is permanently reduced to \$0 or (iii) the fifteenth (15th) calendar day after the receipt by the Second Lien Trustee of written notice from the Initial Bank pursuant to the Initial Reimbursement Agreement, that an event of default under and as defined in the Initial Reimbursement Agreement has occurred and is then continuing.

## **The Initial Reimbursement Agreement**

*Certain Definitions.* As used in this section of the Official Statement headed “THE LETTER OF CREDIT,” each of the following terms will have the meaning indicated:

“*Agency Agreements*”, as used under this heading means the Initial Reimbursement Agreement, the Second Lien Bond Resolution, the Pledge Agreement, the Bond Purchase Agreement for the Series 2002A Bonds between the Underwriter and the Agency, the Establishment Agreement, the Tax Compliance Certificate, the Project Use Agreements and the Remarketing Agreement.

“*Establishment Agreement*” means An Agreement Establishing the Solid Waste Agency of Northern Cook County as a Municipal Joint Action Agency dated as of May 2, 1988, as it may be amended from time to time.

“*Pledge Agreement*” means the Pledge and Security Agreement among the Agency, the Initial Bank and the Second Lien Trustee.

*Certain Agreements and Covenants.* The Agency will agree in the Initial Reimbursement Agreement that, to the extent permitted by law and the First Supplemental Resolution, and to the extent it can be done without causing the interest on the Series 2002A Bonds to be included in the gross income of the registered owners thereof for federal income tax purposes, it will (i) use all funds received from the sale of the Balefill Property for the defeasance or redemption of indebtedness outstanding under the First Lien Bond Resolution and thereafter to the defeasance or redemption of the Series 2002A Bonds (see “DESCRIPTION OF SERIES 2002A BONDS – Redemption – *Redemption or Defeasance Pursuant to Initial Reimbursement Agreement*”) and (ii) apply any funds received from the sale of other property (in the event such sale proceeds exceed \$500,000 over any 30 day period) to the defeasance or redemption of indebtedness outstanding under the First Lien Bond Resolution (to the extent possible based on Authorized Denominations) until such time as all such debt is defeased or redeemed.

The Agency will covenant in the Initial Reimbursement Agreement, among other things, to: (i) provide certain periodic reports and other information to the Initial Bank, including interim financial reports, annual financial reports, investment reports and information relating to defaults and material litigation relating to the Agency; (ii) maintain complete and accurate records and accounts and permit the Initial Bank to examine its books and records and to inspect its operations and properties; (iii) maintain insurance (including self-insurance) covering such risks as is consistent with sound business practice; (iv) pay when due all taxes except those being contested in good faith; (v) not enter into agreements that would be breached by the Agency's performance of its obligations under the Initial Reimbursement Agreement or the other Agency Agreements; (vi) not be a party to any merger or acquire certain assets except under certain conditions; (vii) conduct its business in the same manner as present and remain validly existing; (viii) maintain all of its properties; (ix) maintain employee benefit plans for which it has liability in compliance with applicable law and regulations; (x) not use or permit use of proceeds of the Letter of Credit for the purpose of buying or carrying margin stock; (xi) comply with all laws, rules and regulations to which it may be subject, except where compliance is being contested in good faith; (xii) not act in any manner which would adversely affect the exclusion of interest on the Series 2002A Bonds from the gross income of the owners for federal income tax purposes; (xiii) not permit its property to be subject to any lien except as otherwise permitted under the Initial Reimbursement Agreement; (xiv) not permit the incurrence of certain indebtedness without the consent of the Initial Bank; (xv) not permit the issuance of a Substitute Letter of Credit unless provision is made for the purchase of all Bank Bonds outstanding on the date of such substitution and the payment of all obligations owing to the Initial Bank under the Initial Reimbursement Agreement; (xvi) not amend the terms of the Series 2002A Bonds or any of the Agency Agreements (other than the Establishment Agreement and Project Use Agreements) without consent of the Initial Bank, so long as the Initial Bank is not in default under any of its payment obligations under the Initial Letter of Credit nor amend the Establishment Agreement or Project Use Agreements unless the Agency complies with certain terms of the Initial Reimbursement Agreement; (xvii) keep the Project Use Agreements outstanding while the Series 2002A Bonds or any obligations of the Agency to the Initial Bank remain outstanding; (xviii) not direct the Second Lien Trustee to give notice of an optional redemption except: (a) as described under the heading "DESCRIPTION OF THE SERIES 2002A BONDS – *Redemption Procedures*" or (b) under certain other circumstances described in the Initial Reimbursement Agreement, and not direct the conversion of the Series 2002A Bonds to the Fixed Rate or Adjustable Long Rate without the prior consent of the Initial Bank; (xix) reduce the outstanding debt of the Agency to not more than \$30,000,000 on or before December 18, 2002; and (xx) apply amounts in the Residual Fund described below or other legally available Revenues to redeem or defease indebtedness outstanding under the First Lien Bond Resolution within 30 days of such money becoming available or as soon thereafter as legally possible upon any failure to make a payment on outstanding indebtedness payable from Revenues.

**The agreements and covenants of the Agency made pursuant to the Initial Reimbursement Agreement are solely for the benefit of the Initial Bank. The Initial Bank may waive any such agreements and covenants and any other provisions of the Initial Reimbursement Agreement and may agree with the Agency to amend certain agreements, covenants or provisions, including the agreement to optionally redeem Series 2002A Bonds described above. The Owners of the Series 2002A Bonds will have no rights or obligations as a result of such agreements, covenants or provisions or any amendments or waivers thereof. Agreements and covenants of the Agency relating to any Letter of Credit that a Bank may issue as a replacement or substitute for the Initial Letter of Credit or any extension or replacement of the Initial Letter of Credit by the Initial Bank may vary significantly from those described above.**

*Representations and Warranties of the Agency.* The Initial Reimbursement Agreement will contain certain representations and warranties of the Agency concerning certain factual, financial and legal matters. Reference is made to the Initial Reimbursement Agreement for a complete recital of these representations and warranties.

*Termination of Initial Letter of Credit.* Among other remedies available to the Initial Bank under the Initial Reimbursement Agreement, upon the occurrence and continuance of any Event of Default thereunder the Initial Bank may, by written notice to the Second Lien Trustee and the Agency, declare that an Event of Default has occurred and direct the Second Lien Trustee to require the mandatory tender of the outstanding Series 2002A Bonds. See “DESCRIPTION OF THE SERIES 2002A BONDS – Tenders – *Mandatory Tender.*”

“Events of Default” under the Initial Reimbursement Agreement consist of the following:

(a) *Nonpayment of Obligations Under the Initial Reimbursement Agreement.* Default in the payment when due of (i) any obligation to reimburse the Initial Bank for moneys drawn under the Initial Letter of Credit and certain expenses or (ii) any other obligation owing under the Initial Reimbursement Agreement and unremedied for a period of three days.

(b) *Nonpayment of Other Debt.* (i) Any default in the payment of the principal of, or interest or premium on, any other indebtedness payable from the Revenues of the Agency that is outstanding in an aggregate principal amount in excess of \$100,000 as and when due and payable and the continuation of such default beyond the period of grace, if any, allowed with respect thereto, or (ii) any default (other than a payment default) in compliance with any term or provision under any loan agreements or other instruments evidencing indebtedness of the Agency [payable from the Revenues] in an aggregate outstanding principal amount in excess of \$100,000, and the continuation of such default beyond the period of grace, if any, allowed with respect thereto.

(c) *Bankruptcy and Insolvency.* The Agency becomes insolvent or generally fails to pay, or admits in writing its inability to pay, debts as they become due; or the Agency applies for, consents to, or acquiesces in the appointment of, a trustee, receiver or other custodian for it or for any of its property, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for the Agency or for a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of the Agency and if such case or proceeding is not commenced by the Agency, it is consented to or acquiesced in by the Agency, or remains for 60 days undismissed; or the Agency takes any corporate action to authorize, or in furtherance of, any of the foregoing.

(d) *Defaults Without Cure Period.* The Agency defaults in the performance of or compliance with (i) its covenant, under certain circumstances, to apply funds received from the sale of certain property for the defeasance or redemption of indebtedness outstanding under the First Lien Bond Resolution and thereafter, under certain circumstances, to the defeasance or redemption of the Series 2002A Bonds as described above under “Certain Agreements and Covenants,” or (ii) any term of the Initial Reimbursement Agreement described above in clauses (v), (vi), (vii), (x), (xii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) or (xx) of the second paragraph under “Certain Agreements and Covenants, above.

(e) *Defaults With Cure Period.* The Agency defaults in the performance of or compliance with any term contained in the Initial Reimbursement Agreement (other than those referred to in paragraphs (a), (b), (c) and (d) above) and such default is not remedied within 30 days, provided, however, if the failure is other than the payment of money and cannot be remedied within the applicable period, the Initial Bank will not unreasonably withhold consent to an extension of such time if corrective action is instituted within the applicable grace period and is diligently pursued until the default is corrected.

(f) *Representations and Warranties.* Any representation or warranty, or reaffirmation thereof, made by the Agency in the Initial Reimbursement Agreement or by the Agency in any of the other Agency Agreements or in connection with the Initial Reimbursement Agreement or the Agency Agreements is breached and is not cured within 30 days of such breach or is false or misleading in any material respect.

(g) *First Lien Bond Resolution or Second Lien Bond Resolution Default.* A default or an event of default, as described under the First Lien Bond Resolution or Second Lien Bond Resolution or any other Agency Agreement, occurs and is continuing beyond any applicable grace or cure period.

(h) *Certain Judgments and Orders.* A final non-appealable judgment or order shall be rendered against the Agency for the payment of money in excess of \$100,000, and such judgment or order shall continue unsatisfied or unstayed for a period of 30 consecutive days.

*Amendments to Reimbursement Agreement.* The Initial Reimbursement Agreement may be amended by a writing signed by the Agency and the Initial Bank. Any such amendment does not require either the giving of notice to or the obtaining of the consent of the holders of the Series 2002A Bonds. In addition, the Second Lien Trustee shall have no right of consent to any such amendment.

### **SUBSTITUTE LETTER OF CREDIT**

The Agency may deliver a Substitute Letter of Credit to replace a Letter of Credit then in effect. The substitution of any Letter of Credit may result in a mandatory tender of all Series 2002A Bonds as described under the heading “DESCRIPTION OF THE SERIES 2002A BONDS – Tenders – *Mandatory Tender.*”

Prior to the Fixed Rate Conversion Date, a Substitute Letter of Credit may become effective on any Business Day, which shall be a “Substitution Date.” The Agency will cause a draft of any Substitute Letter of Credit in substantially final form and a commitment letter with respect thereto, together with written evidence from each Rating Agency then rating the Series 2002A Bonds prior to the Substitution Date of the rating on the Series 2002A Bonds after the Substitution Date, to be delivered to each Registered Owner, the Second Lien Trustee, the Second Lien Trustee’s Agent and the Remarketing Agent, not less than 15 days prior to the proposed Substitution Date. On each Substitution Date, the Agency, the Remarketing Agent, the Second Lien Trustee and the Second Lien Trustee’s Agent will also receive (i) an opinion of counsel for the Substitute Bank regarding the enforceability of the Substitute Letter of Credit in substantially the form delivered to the Second Lien Trustee upon execution and delivery of the Letter of Credit then in effect, and (ii) an opinion of Bond Counsel to the effect that the substitution of the Letter of Credit then in effect will not adversely affect the validity of the Series 2002A Bonds or any exclusion from gross income for Federal income tax purposes of interest on the Series 2002A Bonds would otherwise be entitled. No Substitute Letter of Credit will become effective unless the then current Bank certifies to the Agency, the Second Lien Trustee’s Agent and the Second Lien Trustee that all obligations owing to such Bank under the Credit Agreement then in effect have been paid in full.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS**

The Series 2002A Bonds are not general obligations of the Agency or any Member, but are limited obligations payable from the Second Lien Revenues, all moneys and securities held or set aside or to be held or set aside by the Second Lien Trustee under the First Supplemental Resolution and from moneys provided under the Letter of Credit and have a valid claim only against the Series 2002A Dedicated Sub-Fund (as defined under the “Flow of Funds – *Payment of Debt Service on the Series 2002A Bonds*,” below), the Series 2002A Debt Service Reserve Account and other moneys held by the Second Lien Trustee or otherwise pledged therefor. See “—Covenant Against Other Pledges of Trust Estate” and “—Additional Second Lien Obligations” below.

The Agency has no taxing power. The Series 2002A Bonds are not general obligations of the Agency or any Member and do not constitute an indebtedness of the Agency or any Member within the meaning of any constitutional or statutory limitation.

### **Statutory Powers**

The Act authorizes the Agency to enter into contracts with Members to provide for the acquisition, construction and operation of waste projects such as the Project, the delivery of waste to a project, the payment of fees and charges with respect to such waste projects and the pledge by the Agency of payments received under the contract to a trustee for its bond and note holders. The Act further authorizes the Agency and its Members to provide by contract that the Members obligate themselves to pay for all or a portion of a waste project without setoff or counterclaim and irrespective of whether the project described in the Project Use Agreements is ever completed, or made available, or provided to the contracting party and notwithstanding any suspension, interruption, interference, reduction or curtailment of the waste project. The Act also authorizes the Agency and its Members to contract that in the event of default of one of the Members in its obligations to the Agency, the other Members may obligate themselves to pay all or a portion of the defaulting Member’s obligations to the Agency.

The Agency and its Members have the power to enter into contracts relating to the collection, transportation, processing, storage and disposal of municipal waste. Parties to the contract have the power to agree to provide by ordinance, license, franchise, contract or other means that the method of collection, transportation, processing, storage and disposal of municipal waste shall be the exclusive method to be allowed within their respective jurisdictions, notwithstanding the fact that competition may be displaced or that such ordinance, license, franchise, contract or other means may have an anti-competitive effect. The contract may require the parties to deliver or cause the delivery of all or any portion of the waste generated within its jurisdiction to the waste project. An ordinance, license, franchise, contract or other means may be utilized by the contracting party to ensure a constant flow of waste to the facility, notwithstanding that competition may be displaced or that such measures may have an anti-competitive effect. See “Member Waste System Ordinance,” herein.

### **Description of Second Lien Revenues**

Under the Second Lien Bond Resolution, “*Revenues*” consist of (i) all revenues, income, rents and receipts derived by the Agency from or attributable to the ownership and operation of the Project (as defined below), including all Contract Revenues, and all revenues attributable to the Project or to the payment of the costs thereof received by the Agency under any contract for the processing, handling or disposal of waste or other service for the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the Project (including, to the extent provided in the First Lien Bond Resolution with respect to the Self-Insurance Fund, amounts on deposit in such Fund and required to be transferred to the Revenue Fund for such purpose), and (iii) interest income received on any moneys or securities held in all Funds or Accounts created pursuant to the Second Lien Bond Resolution or the First



Lien Bond Resolution, except the Acquisition and Construction Fund, the Environmental Fund, the Residual Fund, the Operation and Maintenance Fund and the Rebate Fund; provided, however, that “Revenues” does not include the proceeds of grants, bequests or other non-recurring sources of funds.

“*Project*” is defined in the Second Lien Bond Resolution as meaning (a) prior to the First Lien Defeasance Date, a Waste Project undertaken by or on behalf of the Agency and consisting of the Construction Components and (b) after the First Lien Defeasance Date, (i) a Waste Project undertaken by or on behalf of the Agency and consisting of the Construction Components and (ii) one or more Additional Projects.

Pursuant to the provisions of the First Lien Bond Resolution and the Second Lien Bond Resolution, the Agency is required to deposit the Revenues upon receipt to the credit of the Revenue Fund established by the First Lien Bond Resolution (the “*First Lien Revenue Fund*.”). Amounts on deposit in the First Lien Revenue Fund following the application of Revenues pursuant to the First Lien Bond Resolution described in “– Flow of Funds,” below, are to be transferred by the First Lien Trustee for deposit to the credit of the Subordinated Indebtedness Fund in the amounts and as further described below in “– Flow of Funds – *Monthly Deposits – Fourth*,” subject to withdrawal as provided under said caption. Amounts that may be withdrawn from the Subordinated Indebtedness Fund for the payment of Subordinated Indebtedness pursuant to the First Lien Bond Resolution, together with all Revenues held by the First Lien Trustee on the First Lien Defeasance Date (except moneys held by the First Lien Trustee (i) for the payment of the First Lien Bonds and (ii) in the Self-Insurance Fund or the Rebate Fund pursuant to the First Lien Bond Resolution), or derived from and after the First Lien Defeasance Date, constitute the “*Second Lien Revenues*.”

### **Pledge Effected by the Second Lien Bond Resolution**

Pursuant to the Second Lien Bond Resolution, the Trust Estate, including the Second Lien Revenues, is pledged to secure the payment of the principal of and interest on the Second Lien Obligations. The Act provides that any pledge made in respect of the Bonds shall be valid and binding from the time any Second Lien Obligations are issued without any physical delivery or further act, and that the lien of any such pledge shall be valid and binding against or prior to any claims of any other party having any claims of any kind against the Agency irrespective of whether such other parties have notice of such pledge. The Second Lien Bond Resolution authorizes the issuance of Second Lien Obligations without limitation as to amount, except as may be limited by law, for the purpose of financing Costs of Construction, the refunding of any First Lien Bonds, Second Lien Obligations or other obligations issued to finance or refinance the Costs of Construction and related purposes. Under the Second Lien Bond Resolution such Second Lien Obligations are secured by, and payable from, Revenues authorized to be withdrawn by the First Lien Trustee from the Subordinated Indebtedness Fund established by the First Lien Bond Resolution and transferred to the Second Lien Trustee for deposit in the Second Lien Revenue Fund under the Second Lien Bond Resolution. Second Lien Obligations include (i) bonds, notes or evidences of indebtedness issued by the Agency under the Second Lien Bond Resolution, (ii) obligations incurred by the Agency to reimburse any issuer of a letter of credit or surety bond securing Second Lien Obligations, as more fully described in the definition of “Section 208 Obligations” in APPENDIX C – “DEFINITIONS AND SUMMARY OF THE SECOND LIEN BOND RESOLUTION – Definitions” and “–Summary of Certain Provisions of the Second Lien Bond Resolution – Authorization of the Second Lien Bonds and Other Second Lien Obligations,” and (iii) any obligations incurred by the Agency to any Swap Provider, as more fully described in the definition of “Section 209 Obligations” in APPENDIX C – “DEFINITIONS AND SUMMARY OF THE SECOND LIEN BOND RESOLUTION – Definitions” and “Summary of Certain Provisions of the Second Lien Bond Resolution – Authorization of the Second Lien Bonds and Other Second Lien Obligations.”

Such Revenues when paid by the First Lien Trustee to the Second Lien Trustee for deposit into the Second Lien Revenue Fund created under the Second Lien Bond Resolution constitute Second Lien

Revenues. Pursuant to the Second Lien Bond Resolution, such Second Lien Revenues are pledged to the payment of the principal of, premium, if any, and interest on all Second Lien Obligations (including the Series 2002A Bonds) without preference, priority or distinction of one series of Second Lien Obligations over any other series of Second Lien Obligations.

In order to provide for the deposit into the Subordinated Indebtedness Fund of sufficient funds to satisfy the deposit requirements set forth in any resolution, ordinance or indenture securing Second Lien Obligations (including the First Supplemental Resolution), the Agency is required, upon the issuance of each series of Second Lien Obligations and thereafter as may be necessary to reflect changes in such deposit requirements, to file with the First Lien Trustee a certificate setting forth the dates on which amounts on deposit in the Subordinated Indebtedness Fund shall be withdrawn therefrom by the First Lien Trustee and paid to the Second Lien Trustee for deposit into the Second Lien Revenue Fund and the amounts of such withdrawals to the extent determinable. The Second Lien Trustee will segregate within the Second Lien Revenue Fund into such sub-funds, accounts and sub-accounts as may have been established for the benefit of outstanding series of Second Lien Obligations. For a general description of the application of Revenues, see “– Flow of Funds – Payment of Debt Service on the Series 2002A Bonds,” below.

### **Flow of Funds**

The First Lien Bond Resolution creates, among other Funds, the First Lien Revenue Fund, the First Lien Debt Service Fund, consisting of the First Lien Debt Service Account and the First Lien Debt Service Reserve Account, the Operation and Maintenance Fund and the Subordinated Indebtedness Fund to be held and administered by the First Lien Trustee. Pursuant to the First Lien Bond Resolution, the Revenues will be applied as described below.

*Monthly Deposits.* On or before the last business day of each calendar month the First Lien Trustee shall make the following deposits and transfers from amounts on deposit in the First Lien Revenue Fund in the manner and order of priority set forth below:

*First:* to the Agency for deposit in the Operation and Maintenance Fund such sums as are necessary to restore the amount therein to two-twelfths of the Annual Operating and Maintenance Expenses included in the Project Budget of the Agency.

*Second:* to the First Lien Trustee, for deposit in the First Lien Debt Service Account, the amount if any, required so that the balance in said Account equals the principal and interest accrued and unpaid on the First Lien Bonds as of the last day of the then current month; provided that, for the purposes of computing the amount to be deposited in the First Lien Debt Service Account, there shall be excluded from the balance in the First Lien Debt Service Account the amount, if any, set aside in the First Lien Debt Service Account or the First Lien Capitalized Interest Account from the proceeds of First Lien Bonds, Subordinated Indebtedness or other evidences of indebtedness of the Agency for the payment of interest on First Lien Bonds less that amount of such proceeds to be applied in accordance with the First Lien Bond Resolution to the payment of interest accrued and unpaid and to accrue on First Lien Bonds to the last day of the then current calendar month.

*Third:* to the First Lien Trustee, for deposit in the First Lien Debt Service Reserve Account, if there is a deficiency in meeting the debt service reserve requirement established for each series of the First Lien Bonds in any of the separate subaccounts of the First Lien Debt Service Reserve Account (the “*First Lien Debt Service Reserve Requirement*”), for credit to each separate subaccount in the First Lien Debt Service Reserve Account, the amount, if any, required so that the balance in each subaccount shall equal the First Lien Debt Service Reserve Requirement, related thereto as of the last day of the then current month. If the amount on deposit in First Lien Revenue Fund shall not be sufficient to make the deposits required to be made pursuant to this paragraph

with respect to all of the separate subaccounts in the First Lien Debt Service Reserve Account, then such amount on deposit in the First Lien Revenue Fund will be applied ratably, and the First Lien Trustee will withdraw the balance needed to complete such deposits from the Residual Fund described below. If the amount on deposit in the Residual Fund is not sufficient to make such deposits, then such further amounts will be provided from the monthly deposits into the First Lien Debt Service Reserve Account described in this paragraph for each month during the next succeeding twelve months, in an amount equal to one-twelfth of the amount of the deficiency for each subaccount.

*Fourth:* to the First Lien Trustee, for deposit in the Subordinated Indebtedness Fund the amount, if any, as is required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness coming due in such month, whether as result of maturity or prior call for redemption, and to provide reserves therefor, as required by the Supplemental Resolution authorizing such issue of Subordinated Indebtedness.

The balance of any moneys remaining in the First Lien Revenue Fund after the monthly payments described above have been made will be held in the First Lien Revenue Fund until the next succeeding May 1 or November 1 and will then be transferred and deposited to the extent not required to make the deposits described above, to the Environmental Fund, the Renewal and Replacement Fund, the Self-Insurance Fund and the Rebate Fund established under the First Lien Bond Resolution, with any remaining amounts being deposited to the Residual Fund, all in the manner and in the order of priority set forth in the First Lien Bond Resolution.

Moneys on deposit in the Subordinated Indebtedness Fund are subject to withdrawal until transferred to the Second Lien Revenue Fund or otherwise transferred to pay Subordinated Indebtedness. If at any time amounts in the First Lien Debt Service Account or any separate subaccount in the First Lien Debt Service Reserve Account shall be less than the current requirement of such account or subaccount and there is not on deposit in the Renewal and Replacement Fund and the Residual Fund available moneys sufficient to cure such deficiency, then there will be withdrawn from the Subordinated Indebtedness Fund and deposited into such account or subaccount, as the case may be, the amount necessary to make up such deficiency.

*Payment of Debt Service on the Series 2002A Bonds.* The Second Lien Bond Resolution creates the Second Lien Revenue Fund to be held and administered by the Second Lien Trustee. The Agency is required to file with the First Lien Trustee, upon the issuance of each series of Second Lien Obligations (including the Series 2002A Bonds), a certificate stating the dates on which amounts on deposit in the Subordinated Indebtedness Fund are to be withdrawn therefrom by the First Lien Trustee and paid to the Second Lien Trustee, and the amounts of such withdrawals, and containing a direction of the Agency to the First Lien Trustee to withdraw from the Subordinated Indebtedness Fund and pay to the Second Lien Trustee the amounts, and on the dates, specified in such certificate. The Second Lien Trustee shall deposit such payments in the Second Lien Revenue Fund. The moneys in the Second Lien Revenue Fund shall be disbursed and applied by the Second Lien Trustee as required by the provisions of any Supplemental Resolution creating a series of Second Lien Obligations (including the First Supplemental Resolution), or by any instrument creating Section 208 or Section 209 Obligations. The Second Lien Trustee shall segregate within the Second Lien Revenue Fund and credit to such sub-funds, accounts and sub-accounts therein as may have been created for the benefit of such Series of Second Lien Obligations and such Section 208 and Section 209 Obligations in such Supplemental Resolution such amounts as may be required to be so credited under the provisions of such Supplemental Resolution or instrument creating Section 208 or Section 209 Obligations to pay the principal of and interest on such Second Lien Obligations and satisfy such Section 208 Obligations and Section 209 Obligations.

The First Supplemental Resolution creates and establishes with the Second Lien Trustee a separate and segregated sub-fund within the Second Lien Revenue Fund, designated the “Solid Waste Agency of Northern Cook County Series 2002A Bonds Dedicated Sub-Fund” (the “*Series 2002A Dedicated Sub-Fund*”). Moneys on deposit in the Series 2002A Dedicated Sub-Fund, and in each account established therein, are to be held in trust by the Second Lien Trustee for the benefit of the Registered Owners of the Series 2002A Bonds. The specific accounts established in the Series 2002A Dedicated Sub-Fund, and the deposit requirements for each such account, are more fully described in APPENDIX C – “DEFINITIONS AND SUMMARY OF THE SECOND LIEN BOND RESOLUTION – Summary of Certain Provisions of the Second Lien Bond Resolution – Payment of Debt Service on the Series 2002A Bonds and Related Section 208 Obligations and Section 209 Obligations.”

### **Series 2002A Debt Service Reserve Account**

A Debt Service Reserve Account will be established under the First Supplemental Resolution to secure the Series 2002A Bonds (the “*Series 2002A Debt Service Reserve Account*”).

Under the Second Lien Bond Resolution, the Series 2002A Reserve Requirement may be satisfied by the deposit with the Second Lien Trustee of (i) one or more Qualified Reserve Account Credit Instruments, (ii) Qualified Investments or (iii) a combination thereof. Any Qualified Reserve Account Credit Instrument will be issued in the name of the Second Lien Trustee and will contain no restrictions on the ability of the Second Lien Trustee to receive payment thereunder other than a certification of the Second Lien Trustee that the funds drawn thereunder are to be used for purposes for which moneys in the Series 2002A Debt Service Reserve Account may be used under the Second Lien Bond Resolution.

The Series 2002A Debt Service Reserve Account will be funded in the amount of the Series 2002A Reserve Requirement on the date of issuance of the Series 2002A Bonds from a combination of funds of the Agency and proceeds of the Series 2002A Bonds. See “PLAN OF FINANCE – Sources and Uses of Funds.”

Withdrawals from the Series 2002A Debt Service Reserve Account will be made on the applicable interest Payment Date and the May 1 principal Payment Date up to an amount sufficient to cure any deficiency in (i) the payment of interest or principal for the Series 2002A Bonds or (ii) the repayment of any draw on the Letter of Credit for such purpose. If on any date all withdrawals or payments from the Series 2002A Debt Service Reserve Account required by the First Supplemental Resolution shall have been made, the Second Lien Trustee, at the direction of the Agency, shall withdraw from the Series 2002A Debt Service Reserve Account the amount of any excess therein over the Series 2002A Reserve Requirement and deposit such moneys into any one or more of the funds and accounts maintained under the First Lien Bond Resolution or the Second Lien Bond Resolution.

### **Project Use Agreements**

Under the provisions of each Project Use Agreement, the Agency has agreed, subject to certain conditions, to acquire, construct and operate the Project and to dispose of the Member’s System Waste; and each Member has agreed to pay its allocable share of the annual Operation and Maintenance Costs and the Fixed Costs of the Project.

The Members are billed monthly and make payments directly to the Agency. Fees for the disposal of Member System Waste are not collected from haulers at the Transfer Stations.

*Payment Obligation.* The Members are obligated to make annual payments to the Agency in an aggregate amount sufficient to pay all of the Operation and Maintenance Costs and all of the Fixed Costs of the Project, including Aggregate First Lien Debt Service on all First Lien Bonds, and any amounts required to pay Subordinated Indebtedness, including the Second Lien Obligations, and to fund and

maintain the funds and accounts established under the First Lien Bond Resolution and the Second Lien Bond Resolution (see “Rate Covenant” below and APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT USE AGREEMENTS – Payment Obligation”). Each Member’s share of Operation and Maintenance Costs and Fixed Costs of the Project is expected to be paid from revenues to be derived from the Member’s Waste System, or from other available sources allocated for such purpose prior to the beginning of each Fiscal Year. The obligation of a Member to make such payments under its Project Use Agreement is a limited obligation of the Member payable from such revenues and other available sources.

The obligation of each Member to make all payments as required by its Project Use Agreement is unconditional and irrevocable, without setoff or counterclaim and irrespective of whether the Project or any Component is ever completed, made available or provided to the Member or whether any Member fails to deliver Member System Waste, and notwithstanding any suspension, interruption, interference, reduction or curtailment of the Project or any Component.

All rights of the Agency under the provisions of the Project Use Agreements, Customer Contracts and similar agreements to receive payments from the Financing Members and from Customers are pledged for the benefit and security of the owners of Second Lien Obligations to secure the performance by the Agency of its obligations under the Second Lien Bond Resolution, and are assigned to the Second Lien Trustee, subject to the prior assignment of such rights to the First Lien Trustee and a right of the Agency, except during periods when it may be in default, to receive such payments and apply them as provided in the First Lien Bond Resolution and the Second Lien Bond Resolution.

*Billing and Collection.* Prior to the beginning of each Fiscal Year, the Agency will send each Member an estimated bill for such upcoming Fiscal Year, which the Member is obligated to pay monthly in twelve equal installments. At the end of each Fiscal Year, the Agency will calculate the actual charges each Member is responsible for and will either credit or bill each Member for any differences between the estimated bill and the actual charges. Such adjustments will take place over the first four months of the following Fiscal Year.

*Allocation of Operation and Maintenance Costs and Fixed Costs.* Under the Project Use Agreements, the Operation and Maintenance Costs for any Fiscal Year are allocated among the Members by multiplying such costs by a fraction whose numerator is Member System Waste accepted from the relevant Member and whose denominator is Agency Waste accepted for the relevant Fiscal Year, from Members obligated to use the Project.

For any Fiscal Year during which the amount of waste accepted is equal to or greater than 85% of Expected Agency Waste, the Fixed Costs are allocated among the Members by multiplying such costs by a fraction whose numerator is the Member System Waste accepted from the relevant Member and whose denominator is 85% of the Expected Agency Waste for the relevant Fiscal Year.

For any Fiscal Year during which the amount of waste accepted is less than 85% of Expected Agency Waste, the Fixed Costs are allocated among the Members by multiplying such costs by a fraction (i) whose numerator is the greater of (A) Member System Waste accepted from the relevant Member or (B) 85% of Expected Member System Waste and (ii) whose denominator is 85% of the Expected Agency Waste for the relevant Fiscal Year. Therefore, if the total amount of waste accepted by the Agency is less than 85% of the total expected waste for the year, then each Member will be obligated to pay Fixed Costs in an amount no less than if it had delivered at least 85% of its Expected Member System Waste.

*Deficiency Charge.* If Revenues are, or if the Agency projects that Revenues will be, insufficient to pay the Operation and Maintenance Costs and the Fixed Costs of the Project (due to the default of any Member or for any other reason), the Agency may impose a Deficiency Charge upon each Member to cure the deficiency in Revenues. Each Member has agreed to pay a percentage of any deficiency (the

*“Deficiency Factor”*). The Deficiency Factor for each Member is shown in the table entitled “Table of Deficiency Factors.” These Deficiency Factors were established when the Project Use Agreements were signed and cannot be changed for the term of the Project Use Agreement. In the event of insufficient Revenues for any reason, including a payment default, the Agency has the option of imposing any Deficiency Charge only on the non-defaulting Members. The total Deficiency Charge a Member is obligated to pay for any Fiscal Year may not exceed the Deficiency Factor for the Member multiplied by the Fixed Costs of the Agency for that Fiscal Year, multiplied by one and one-third; provided that the total amount which a Member is obligated to pay with respect to Fixed Costs and Deficiency Charges for any Fiscal Year may not exceed the greater of (i) the sum of (A) its share of Fixed Costs for the Fiscal Year and (B) one-third of the Fixed Costs of the Agency for the Fiscal Year multiplied by its Deficiency Factor, and (ii) its Deficiency Factor multiplied by the Fixed Costs of the Agency for the Fiscal Year multiplied by one and one-third. Fixed Costs are all costs of the Project which do not vary as a function of waste delivered, including, but not limited to, debt service, funding of all reserves and all contracts for service, equipment and supplies.

Any Deficiency Charge imposed upon a Member that is a Home Rule Member will be a general obligation of the Home Rule Member for the payment of which its full faith and credit and its taxing power are pledged. Any Deficiency Charge imposed upon a Member that is a Non-Home Rule Member will be a limited obligation of the Non-Home Rule Member payable from the revenues derived from the Non-Home Rule Member’s Waste System and the moneys held in the Non-Home Rule Member’s Waste System enterprise fund or special revenue fund.

If a Deficiency Charge is imposed by the Agency, such charge will be allocated among the Members based on the Deficiency Factors. The Deficiency Factor for each Member is set forth in the following table:

### Table of Deficiency Factors

<u>Member</u>	<u>Deficiency Factor</u>	<u>Deficiency Factor with 1/3 "step-up"</u>
<i>Home Rule Members:</i>		
Arlington Heights	10.13%	13.51%
Buffalo Grove	5.90	7.87
Elk Grove Village	4.57	6.09
Evanston	7.28	9.71
Glenview	5.85	7.80
Hoffman Estates	6.17	8.23
Morton Grove	2.78	3.71
Mount Prospect	8.86	11.81
Niles	2.61	3.48
Palatine	12.33	16.44
Park Ridge	4.10	5.47
Rolling Meadows	2.74	3.65
Skokie	5.54	7.39
South Barrington	0.64	0.85
Wheeling	4.63	6.17
Wilmette	<u>4.05</u>	<u>5.40</u>
Total Home Rule Members	88.18%	117.58%
 <i>Non-Home Rule Members:</i>		
Barrington	1.40%	1.87%
Glencoe	1.20	1.60
Inverness	1.52	2.03 <sup>(1)</sup>
Kenilworth	0.92	1.23
Lincolnwood	1.87	2.49 <sup>(1)</sup>
Prospect Heights	1.11	1.48
Winnetka	<u>3.80</u>	<u>5.07</u>
Total Non-Home Rule Members	11.82%	15.77%
Total All Members	<u>100.00%</u>	

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<sup>(1)</sup> The Villages of Inverness and Lincolnwood joined the Agency as Non-Home Rule Members. Although Inverness and Lincolnwood became home rule units pursuant to referenda held in March, 2000 and November, 1997, respectively, their respective obligations to the Agency remain those of Non-Home Rule Members.

*Pledge and Assignment of Payments.* All payments to be made pursuant to the Project Use Agreements constitute Revenues of the Project and are pledged under the First Lien Bond Resolution. The right of the Agency to receive such payments and its right to enforce the payment obligations of the Members under the Project Use Agreements have been assigned to the First Lien Trustee pursuant to the First Lien Bond Resolution. The Agency has covenanted in the Second Lien Bond Resolution to enforce the provisions of the Project Use Agreements and to perform its covenants and agreements thereunder. Concurrently with the issuance of the Series 2002A Bonds, Counsel to the Agency will issue its opinion that each Project Use Agreement is a valid and binding obligation of the Agency and of the respective

Member, enforceable in accordance with its terms, subject to certain bankruptcy and other laws affecting creditor's remedies and certain other limitations.

*Amendment.* The Agency has covenanted in the Second Lien Bond Resolution that it will not enter into any agreement modifying or amending any of the provisions of any Project Use Agreement without the prior written approval of the Second Lien Trustee. Under the Second Lien Bond Resolution, the Second Lien Trustee may approve any such modification or amendment that does not in any manner lessen, postpone or restrict the pecuniary obligations of the Member under such Project Use Agreement.

*Termination.* Each Project Use Agreement is in full force and effect and will terminate on the earlier to occur of (i) December 31, 2031 or (ii) one year after the date on which 60% of the Directors of the Board vote to terminate, provided that termination shall not be effective until all Bonds and Subordinated Indebtedness, are no longer outstanding for at least one year.

For additional information concerning the Project Use Agreements, see APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT USE AGREEMENTS.”

### **Member Waste System Ordinance**

By ordinance enacted in connection with the issuance of the Series 1992 Bonds, each Member has created a waste system within its corporate limits or portions thereof, classifying as System Waste the type of waste, such as single-family residential, multi-family residential, commercial waste, etc., regulated by the ordinance. The ordinance must provide for the imposition of rates and charges on customers of the waste system and provide for the deposit of the rates and charges or other amounts available for payment of its obligations to the Agency into an Enterprise Fund or Special Revenue Fund held separate and apart from the other funds of the Member.

The Project Use Agreement requires each Member to operate its waste system as a franchise or licensing system under which a private company or companies collect, transport and dispose of System Waste, or a municipally owned and municipally or privately operated waste system under which either the Member or a private contractor or contractors collect, transport and dispose of System Waste. The ordinance must require that all System Waste be disposed of at an Agency-designated transfer station as the exclusive method of collection and disposal of System Waste, must require all persons generating System Waste to arrange for the disposal of that waste through the Member or a contractor authorized by the Member and must prohibit the transportation or disposal of System Waste by anyone other than the Member or a contractor authorized by the Member.

As a result of the unsettled state of the law with respect to a local government's right to restrict the collection and disposal of waste, the Agency can provide no assurance that the waste system ordinance of each Member is valid in every respect under federal constitutional principles.

Notwithstanding the enforceability of any provision of any Member Waste System ordinance, the obligation of each Member to make all payments required by its Project Use Agreement is unconditional and irrevocable without setoff or counterclaim and irrespective of whether the Project or any component thereof is ever completed, made available or provided to the Member or whether any Member fails to deliver Member System Waste, and notwithstanding any suspension, interruption, interference, reduction or curtailment of the Project or any component thereof.

### **Rate Covenant**

Under the Second Lien Master Resolution, the Agency has covenanted to charge and collect rates, fees and charges imposed for all direct and indirect use and services of the Project (the “*Service Charges*”) in order that the Revenues collected and paid to the First Lien Trustee will be at least sufficient: (a) by deposit and application (in accordance with the First Lien Bond Resolution) of



Revenues paid to the First Lien Trustee and of moneys withdrawn from the Residual Fund, to provide at all times moneys to pay all Operation and Maintenance Expenses and maintain, preserve and keep the Project in good repair, working order and condition; (b) to provide in each Fiscal Year a sum equal to the Aggregate First Lien Debt Service for the Bond Year commencing during such Fiscal Year after crediting any capitalized interest or accrued interest available to pay interest on First Lien Bonds payable during such Bond Year; (c) by deposit and application (in accordance with the First Lien Bond Resolution) of Revenues paid to the First Lien Trustee and of moneys withdrawn from the Residual Fund, to maintain in each First Lien Debt Service Reserve Account an amount equal to the applicable First Lien Debt Service Reserve Requirement; (d) to provide in each Fiscal Year a sum equal to sum of the Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year, after crediting any capitalized interest or accrued interest available to pay interest on Second Lien Obligations payable during such Bond Year, and such additional amounts required to be deposited in the Subordinated Indebtedness Fund; (e) by deposit and application (in accordance with the First Lien Bond Resolution) of Revenues paid to the First Lien Trustee and of moneys withdrawn from the Residual Fund, to provide for the deposits to the Environmental Fund, the Renewal and Replacement Fund, the Self-Insurance Fund and the Rebate Fund, as specified in the Project Budget for the Fiscal Year; and (f) at all times to provide for any deficits of the Agency resulting from the failure to receive Service Charges or from any other cause and to comply in all respects with the terms and provisions of the Second Lien Master Resolution, the Project Use Agreements and the Act and to pay and discharge all charges and liens payable out of the Revenues when due and enforceable.

In addition, the Agency has covenanted that (i) prior to the First Lien Defeasance Date, Revenues will be sufficient to provide Second Lien Revenues in each Fiscal Year at least equal to the Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year and (ii) after the First Lien Defeasance Date, Revenues collected and paid to the Second Lien Trustee will be at least sufficient to satisfy the requirements of subparagraphs (a), (e) and (f) of the preceding paragraph; to provide in each Fiscal Year a sum equal to the Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year, after crediting any capitalized interest or accrued interest available to pay interest on Second Lien Obligations payable during such Bond Year; and to provide for any additional amounts required to be deposited into the Second Lien Revenue Fund pursuant to the Second Lien Bond Resolution or any Supplemental Resolution.

### **Covenant Against Other Pledges of Trust Estate**

The Agency covenants in the Second Lien Bond Resolution that it will not issue any bonds, notes or other evidences of indebtedness secured by the pledge of the Trust Estate contained in the Second Lien Bond Resolution, other than Second Lien Obligations, as described herein, and that it will not create or cause to be created any lien or charge on Revenues, or on any amounts pledged for the benefit of owners of Second Lien Obligations under the Second Lien Bond Resolution, other than the pledge of Revenues to secure First Lien Bonds under the First Lien Bond Resolution and the pledge of the Trust Estate contained in the Second Lien Bond Resolution to secure the Second Lien Obligations; provided, however, that nothing in the Second Lien Bond Resolution will prevent the Agency from (a) issuing First Lien Bonds to the extent described in the immediately following paragraph, (b) issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived after the date on which the pledge to secure the Second Lien Obligations is discharged and satisfied and (c) from issuing bonds, notes or other evidences of indebtedness which are payable out of, or secured by, the pledge of amounts which may be withdrawn from the Second Lien Revenue Fund so long as such pledge is expressly junior and subordinate to the pledge of the Second Lien Revenues in the Second Lien Bond Resolution.

The Agency covenants in the Second Lien Bond Resolution that it will not issue any First Lien Bonds, except to refund First Lien Bonds then outstanding. The Agency further covenants that it will not issue any First Lien Bonds if Aggregate First Lien Debt Service in any Bond Year would be increased as a result.

### **Additional Second Lien Obligations**

In order to provide sufficient funds for the financing or refinancing of the Project, Additional Second Lien Obligations may be issued without limitation as to amount, except as may be limited by law, in one or more Series pursuant to the Second Lien Master Resolution on a parity with the Series 2002A Bonds (“*Additional Second Lien Obligations*”). Additional Second Lien Obligations may be issued pursuant to a Supplemental Resolution for the purpose of (a) the payment, or the reimbursement for the payment of, the Costs of Construction, (b) the refunding of any First Lien Bonds (subject to the limitation described below), Second Lien Obligations or other obligations issued to finance or refinance Costs of Construction or (c) the funding of any Fund or Account (as defined in the First Lien Bond Resolution) or any Fund or Account as specified in the Second Lien Master Resolution or any Supplemental Resolution under which any Second Lien Obligations are issued; including, in each case, payment of Costs of Issuance. Additional Second Lien Obligations may be issued upon receipt by the Second Lien Trustee of, among other things: (1) an opinion of Counsel or Bond Counsel that Annual Second Lien Debt Service on such Series of Additional Second Lien Obligations is includable in Fixed Costs under each Project Use Agreement and that the Project Use Agreements then in force have been duly authorized, executed and delivered by the Agency, are in full force and effect and constitute valid and binding obligations of the Agency and the Members, enforceable in accordance with their respective terms and (2) in the case of Additional Second Lien Obligations not issued for refunding purposes, an Independent Consultant’s Opinion that after taking into account (i) Pro Forma Aggregate Debt Service for each Bond Year as of the time immediately following the issuance of such Series, (ii) the most recent audits of the Agency, its Members and Customers, and (iii) the terms of the Project Use Agreements and any Customer Contracts, the Revenues of the Agency are estimated to be adequate to meet the rate covenant provided under the Second Lien Bond Resolution.

The Agency has covenanted in the Second Lien Bond Resolution that it will not issue any additional First Lien Bonds, except to refund First Lien Bonds then outstanding. The Agency will not issue any First Lien Bonds for such refunding purposes if Aggregate First Lien Debt Service would be increased as a result of such issuance.

The issuance of Additional Second Lien Obligations is also subject to the provisions of the Project Use Agreements. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT USE AGREEMENTS – Procedure for Issuing Additional Second Lien Obligations.”

## ANNUAL DEBT SERVICE REQUIREMENTS

Bond Year (Ending May 1)	Outstanding First Lien Bonds <u>Debt Service</u>	First Lien Bonds Debt Service to be Refunded and <u>Defeased</u> <sup>(1)</sup>	Series 2002A Bonds Anticipated Principal <u>Payments</u> <sup>(2)</sup>	Series 2002A Bonds Interest <u>Payments</u> <sup>(3)</sup>	Series 2002A Bonds Total <u>Debt Service</u>	Total <u>Debt Service</u>
2003	\$ 6,026,038	\$5,031,095	\$1,200,000	\$ 586,433	\$1,786,433	\$2,781,376
2004	6,027,248	5,116,995	1,200,000	687,000	1,887,000	2,797,253
2005	6,025,263	5,172,330	1,300,000	651,000	1,951,000	2,803,933
2006	6,022,968	5,161,770	1,400,000	612,000	2,012,000	2,873,198
2007	6,024,913	5,028,345	1,500,000	570,000	2,070,000	3,066,568
2008	6,022,633	5,630,585	2,000,000	525,000	2,525,000	2,917,048
2009	6,023,133	5,631,205	2,000,000	465,000	2,465,000	2,856,928
2010	6,024,025	5,628,175	2,100,000	405,000	2,505,000	2,900,850
2011	6,027,100	5,633,575	2,200,000	342,000	2,542,000	2,935,525
2012	6,022,950	5,627,575	2,200,000	276,000	2,476,000	2,871,375
2013	6,024,325	5,628,200	2,300,000	210,000	2,510,000	2,906,125
2014	5,309,988	5,199,213	2,300,000	141,000	2,441,000	2,551,775
2015	<u>4,056,475</u>	<u>4,056,475</u>	<u>2,400,000</u>	<u>72,000</u>	<u>2,472,000</u>	<u>2,472,000</u>
<b>TOTAL</b>	<b>\$75,637,055</b>	<b>\$68,545,538</b>	<b>\$24,100,000</b>	<b>\$5,542,433</b>	<b>\$29,642,433</b>	<b>\$36,733,951</b>

<sup>(1)</sup> Reflects refunding of Series 1992 Bonds and anticipated reduction in debt service resulting from planned defeasance of certain Outstanding First Lien Bonds. See "PLAN OF FINANCE – Refunding of Series 1992 Bonds" and "–Planned Defeasance of Certain Outstanding First Lien Bonds."

<sup>(2)</sup> Although the entire principal amount of the Series 2002A Bonds matures on May 1, 2015, the Agency expects to redeem the Series 2002A Bonds in accordance with the schedule set forth in the Initial Reimbursement Agreement. See "DESCRIPTION OF THE SERIES 2002A BONDS – Redemption – *Optional Redemption during Daily Mode or Weekly Mode.*"

<sup>(3)</sup> Interest calculated at an assumed rate of 3%

### THE SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

#### General

The Agency is a municipal joint action agency established pursuant to the Agency Agreement. The Agency Agreement was entered into in 1988 by and among the Members under the authority of the Act. The 23 current Members of the Agency are located principally in an area of Cook County north and northwest of the City of Chicago. The corporate limits of the Members also extend into DuPage, Kane and Lake Counties.

#### The Members

The territory of the 23 Members covers an area of approximately 160 square miles situated predominately in the northern portion of Cook County, Illinois. Six of the Members border, in part, on the City of Chicago, and no Member lies further than 12 miles from the City limits and Chicago's O'Hare International Airport. Major transportation arteries within the service area and between the service area and the surrounding Chicago metropolitan region include the Northwest Tollway (Interstate 90), the Tri-State Tollway (Interstate 294), Illinois Route 53 (Interstate 290) and the Edens Expressway (Interstate 94).

As of the 2000 Census, the total population of the Agency service area for its 23 Members was 757,177 or 9.11 percent of the population in the entire northeastern Illinois region of Cook, DuPage, Kane, Lake, McHenry and Will counties. This represents an increase of 8.8 percent over the 1990 Census population of 688,740 and reflects the pace of development in this region.

### **Board of Directors**

The Agency is governed by a Board of Directors consisting of one director elected by each Member. Current directors serve until April 30, 2003. Each director has one vote. The officers of the Agency are elected by the Board of Directors. Current directors and officers are listed on the inside front cover of this Official Statement.

The Board of Directors determines the general policy of the Agency, makes all appropriations, approves contracts for solid waste disposal, including all Project Use Agreements, adopts resolutions providing for the issuance of bonds or notes by the Agency, adopts by-laws, rules and regulations and exercises those powers and performs those duties as may be prescribed in the Agency Agreement or the by-laws of the Agency.

### **Executive Committee**

The Executive Committee of the Agency consists of seven members of the Board of Directors (or alternate directors with the consent of the applicable Members) elected by the Board. Current members of the Executive Committee are listed at the beginning of this Official Statement. Each member of the Executive Committee is entitled to one vote on the Committee. The Executive Committee may take any action not specifically reserved to the Board of Directors by the Act, the Agency Agreement or the by-laws.

### **Administration**

The day-to-day affairs of the Agency are administered by 4 professionals employed by the Agency. Biographies of C. Brooke Beal, Executive Director of the Agency, and Steven A. Schilling, Assistant Executive Director of the Agency, are set forth below:

**C. BROOKE BEAL** is the Executive Director of the Agency and has served in that capacity since September of 1993. Prior to his appointment as Executive Director, Mr. Beal served as the Agency's Assistant Executive Director having joined the Agency staff in 1989. Before his association with the Agency, Mr. Beal served as a Program Analyst for the State of Illinois' Capital Development Board. He holds a Masters Degree in Political Science from Illinois State University and a Bachelors Degree in Political Science from Illinois State University, with course work in budgeting and public finance.

**STEVEN A. SCHILLING** is the Assistant Executive Director of the Agency. Employed by the Agency since August 1997, he is responsible for professional, technical and administrative work in overseeing the Agency's day-to-day operations and all outreach programs. Mr. Schilling previously held the position of Environmental Engineer with Patrick Engineering Inc., where he specialized in solid waste management projects. His employment with Patrick Engineering Inc. began in June 1991. Mr. Schilling holds a Bachelor's Degree in Civil and Environmental Engineering from the University of Wisconsin. He is a Licensed Professional Engineer in Illinois and is a Member of the American Society of Civil Engineers.

## **General Powers**

The Agency is a municipal corporation and public body politic and corporate which may sue or be sued; apply for gifts or grants; acquire, hold, sell, lease, transfer or dispose of real or personal property; make and execute contracts; establish fees and charges for the use of its property; and mortgage, pledge or grant security interests in its property. Members may, for the purposes of, and upon request of the Agency, exercise the power of eminent domain and convey property so acquired to the Agency at cost. All property, income and receipts of, or transactions by, the Agency are exempt from taxation to the extent that municipal property, income and transactions are so exempt.

## **Financing Powers**

The Agency is empowered to borrow money by issuing revenue bonds or notes, including bond anticipation notes, for its corporate purposes, which include financing the Project. The Agency's bonds and notes, including the Bonds, do not constitute an indebtedness of any Member or any of the Member Waste Systems. The Agency has no taxing power and cannot issue general obligation bonds secured by or payable from valorem taxes. It may, however, receive grants, capital contributions or contract revenues from its Members or any other source and apply these monies to finance the Project.

The Project Use Agreements between the Agency and its Members require the Members to pay a share of the principal of and interest on the Series 2002A Bonds and any other Agency obligations issued to finance the Project based on actual use of the Project and, if the Project is not available for use by the Members, based on expected use of the Project. Furthermore, the Project Use Agreements require each Member to pay an additional limited amount in the event of a deficiency in Revenues to meet expenses of the Project or a default by another Member in its obligations to make payment under its Project Use Agreement. See, "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS — Project Use Agreements."

## **Investment Policy for Financial Assets**

The investment of financial assets which are part of the Trust Estate is governed by the Public Funds Investment Act, 30 Illinois Compiled Statutes 235, and the provisions of the Second Lien Master Resolution. Monies held in the funds and accounts established under the Second Lien Master Resolution may be invested and reinvested at the direction of an Authorized Officer of the Agency in Qualified Investments pursuant to the terms of the Second Lien Master Resolution. For a more complete description of the applicable provisions of the Second Lien Master Resolution, see APPENDIX C – "DEFINITIONS AND SUMMARY OF THE SECOND LIEN BOND RESOLUTION."

Monies held outside of the Trust Estate must be invested by the Agency in accordance with the provisions of the Public Funds Investment Act and policies established by the Agency. Those policies direct that the primary overriding concern of every investment is its safety and a secondary objective is to obtain the highest return consistent with the foregoing primary concern and prudent investment principles. Additionally, investments must be made in coordination with the anticipated cash flow needs of the Agency. Furthermore, the Agency is restricted from making investments which create or appear to create conflicts of interest. Responsibility for investments of these amounts has been delegated to the Secretary/Treasurer of the Agency with oversight by the Executive Committee.

## **THE SOLID WASTE DISPOSAL PROJECT**

In 1988, the Agency began the initial planning and development of a solid waste disposal system consisting of a series of transfer stations where Member municipal waste would be compressed into bales and then delivered to a landfill or balefill to be developed by the Agency. As originally contemplated, the Project was to consist of a Balefill, a transfer station in Glenview, a transfer station in Rolling Meadows,

a third transfer station, a landscape waste facility and an administrative facility. The three transfer stations and Balefill Project was planned by the Agency to permit processing of 500,000 tons of waste per year.

To provide for this Project, the Agency and 23 Members entered into the Project Use Agreements. In the Project Use Agreements, the Agency agreed to use its best efforts to build the previously described facilities; the Members agreed to use the Agency facilities for disposal of identified waste generated within their respective jurisdictions; and each Member agreed to pay its allocable share of the Operation and Maintenance and Fixed Costs of the Project.

All Members are delivering waste under the Project Use Agreements. In fiscal year 2001, Members delivered 253,382 tons of residential municipal solid waste, a 1.85% increase over fiscal year 2000, and 2.50% above budgeted deliveries for fiscal year 2001. The Agency currently has two types of Customer Contracts relating to commercial accounts and landscape waste accounts. Commercial accounts brought 7,916 tons of material to the transfer station in fiscal year 2001, an increase of 64.3% over fiscal year 2000 and landscape waste contractors delivered 20,123 tons of landscape waste in fiscal year 2001, a 63.3% increase over fiscal year 2000.

### **Glenview Transfer Station**

On February 1, 1994, the Agency completed construction and opened a transfer station located on a 49-acre parcel in Glenview, Illinois. This approximately 82,500 square foot transfer station is equipped with three balers and conveyor systems with a capacity of approximately 1,500 tons of waste per day. All twenty-three Members are currently delivering waste to that facility. It is processing approximately 992 tons per day or 66% of its capacity. The Agency entered into a contract with Groot Recycling and Waste Services, Inc. (“Groot”) to operate the Glenview Transfer Station, to make another Transfer Station owned and operated by Groot available to the Agency for delivery of Member waste and to provide for the processing, hauling and disposal of waste delivered to the Transfer Station.

### **Balefill**

After acquiring zoning approval from Cook County and a development permit from the Illinois Environmental Protection Agency for the construction of a sanitary landfill, the Agency acquired a 410 acre former gravel strip mine in unincorporated Hanover Township in Cook County, Illinois, on which to develop and operate its Balefill. However, the United States Army Corps of Engineers asserted jurisdiction over certain water-filled depressions on the Balefill parcel created by gravel strip mining and twice denied the Agency’s request for a permit under Section 404 of the Clean Water Act to fill those depressions.

After protracted litigation, the United States Supreme Court held on January 9, 2001, that the Army Corps of Engineers did not have jurisdiction over the Balefill site under the Clean Water Act. In 2001, the Agency determined to abandon its development of the Balefill and sold 284 acres to the State of Illinois for its parks system for a price of \$21 million. The Agency expects to sell the 126 acre balance of the Balefill site. The Agency will covenant in the Initial Reimbursement Agreement to apply the proceeds of such sale to the defeasance or redemption of indebtedness outstanding under the First Lien Bond Resolution and thereafter to the defeasance or redemption of the Series 2002A Bonds.

### **Agency’s Plan for Solid Waste Services**

As a result of the delay in the construction of the Balefill and the impact of the unsettled law with respect to flow control on waste volumes delivered by Members, the Agency determined that it needed to reduce the scope of the Project, to provide long-term cost predictability for waste processing, hauling and disposal for the benefit of its Members.

To accomplish these objectives, the Agency terminated its option to develop an additional transfer station in Rolling Meadows, deferred indefinitely any plans for a third transfer station and other facilities, and secured the long-term Groot Contract (described below) for both the operation of the Glenview Transfer Station and the disposal of Member System Waste at existing landfill sites. The Agency has no current plans to develop additional facilities as part of its services to Members.

### **Long-Term Contract**

Under an agreement between the Agency and Groot (the "*Groot Contract*"), Groot will operate the Glenview Transfer Station until April 30, 2014, make another transfer station owned and operated by Groot available to the Agency and provide for the processing, hauling and disposal of waste delivered to the Agency at the Glenview Transfer Station.

Both the Agency and Groot have a one-time option to terminate the Groot Contract on April 30, 2009. If the Agency terminates the operation and maintenance and hauling components of the Groot Contract, the Agency is required to pay \$250,000 per year to Groot for as long as disposal services are provided under the contract. Additionally, the Agency has the option at any time to terminate the disposal component of the Groot Contract if cost-effective waste disposal technologies become available. Payments to Groot for fiscal years 2001 and 2000 totaled \$10,115,962 and \$9,869,8383, respectively. The Agency believes that the Groot Contract provides it and its Members with favorable and predictable costs for the processing, hauling and disposal of municipal waste until 2014.

### **Financial Information**

The audited financial statements for the Agency for fiscal year 2001 are attached to this Official Statement as APPENDIX E.

## **THE REMARKETING AGREEMENT**

Under the Remarketing Agreement and the First Supplemental Resolution, Legg Mason Wood Walker, Incorporated is appointed as Remarketing Agent. The Remarketing Agent agrees to perform all of the interest rate setting functions for the Series 2002A Bonds assigned to it in the First Supplemental Resolution and, subject to the conditions set forth in the Remarketing Agreement, to use its best efforts to offer for sale and to sell the Series 2002A Bonds tendered at a price of not less than 100% of the principal amount thereof plus accrued interest, if any.

The Remarketing Agent may be removed at any time by the Agency by giving at least 30 calendar days' notice to the Remarketing Agent and the Second Lien Trustee. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Remarketing Agreement by giving at least 30 calendar days' notice to the Agency and the Second Lien Trustee. Otherwise, the Remarketing Agreement shall remain in effect until the earlier of the first day all the Series 2002A Bonds bear interest in the Fixed Mode or the payment in full of all the Series 2002A Bonds.

The Remarketing Agent, either as principal or agent, may, in its sole discretion, buy, sell, own, hold and deal in any of the Series 2002A Bonds, and with the same rights as any other owner of Series 2002A Bonds. The Remarketing Agent, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Agency and may act as depositary, trustee, or agency for any committee or body of owners of Series 2002A Bonds or other obligations of the Agency as freely as if it did not act in any capacity under the Remarketing Agreement or the First Supplemental Resolution.

## **LITIGATION**

There is no litigation pending against the Agency or the Members, nor to the knowledge of their respective officers threatened, which in any way questions or affects the validity of the Series 2002A Bonds, the Project Use Agreements or the validity of the security of the Series 2002A Bonds, or the proceedings or transactions relating to the issuance, sale and delivery of the Series 2002A Bonds or the authorization or validity of the Project Use Agreements.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale by the Agency of the Series 2002A Bonds are subject to the approving legal opinion of Katten Muchin Zavis Rosenman, Chicago, Illinois, Bond Counsel. The proposed form of the opinion of Bond Counsel is included herein as APPENDIX D. Certain legal matters will be passed upon for the Agency by its counsel, Mayer, Brown, Rowe & Maw, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriter by its counsel, Altheimer & Gray, Chicago, Illinois and for the Initial Bank by its special counsel, Gardner, Carton & Douglas, Chicago, Illinois.

## **UNDERWRITING**

Legg Mason Wood Walker, Incorporated (the “*Underwriter*”) has agreed to purchase the Series 2002A Bonds subject to certain conditions, and has agreed to pay therefor a price of \$23,932,505 (representing an underwriting discount of \$167,495). The Underwriter will be obligated to purchase all the Series 2002A Bonds, if any Series 2002A Bonds are purchased.

The price and other terms respecting the offering and sale of the Series 2002A Bonds may be changed from time to time by the Underwriter after such Series 2002A Bonds are released for sale, and the Series 2002A Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Series 2002A Bonds into investment accounts. In connection with the offering of the Series 2002A Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2002A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

## **SOURCES OF CERTAIN INFORMATION**

Information in this Official Statement concerning the Members (other than information incorporated by reference) has been prepared by the Agency based upon information furnished by the Members.



## CONTINUING DISCLOSURE

Rule 15c2-12 (“*Rule 15c2-12*”) under the 1934 Act generally requires that “*obligated persons*,” such as the Agency and certain other parties, provide (i) continuing disclosure on an annual basis of financial information and operating data and (ii) notices of certain specified events that could affect the credit underlying the payment obligations of municipal securities. Offerings of municipal securities that are issued in minimum denominations of \$100,000 and are subject to purchase by the issuer on the demand of the holder, such as will be the case with respect to the Series 2002A Bonds while bearing interest in the Daily Mode, the Weekly Mode or in the Flexible Mode, are exempt from these requirements. If the Series 2002A Bonds are remarketed in a mode other than the Daily Mode, the Weekly Mode Period or the Flexible Mode, the Agency and any other “obligated persons” may in the future become subject to these continuing disclosure obligations of Rule 15c2-12.

## FINANCIAL STATEMENTS

The financial statements of the Agency for the fiscal year ending April 30, 2001, are appended to this Official Statement as APPENDIX E.

## RATINGS

Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc. (“*Standard & Poor’s*”), has assigned the Series 2002A Bonds, while in the Daily Mode, the Weekly Mode or the Flexible Mode, its rating of “AA-/A-1+” to the Series 2002A Bonds with the understanding that upon delivery of the Series 2002A Bonds, the Initial Bank will deliver the Initial Letter of Credit to the Second Lien Trustee.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. The Agency has furnished to Standard and Poor’s certain information and materials relating to the Series 2002A Bonds and the Agency, including certain information and materials which have not been included in this Official Statement. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any rating of the Series 2002A Bonds may have an adverse effect on the market price of the Series 2002A Bonds. The Agency and the Underwriter have assumed no responsibility either to bring to the attention of the owners of the Series 2002A Bonds any proposed change in or withdrawal of any rating or to contest any such revision or withdrawal.

## TAX EXEMPTION

**Summary of Bond Counsel Opinion.** Katten Muchin Zavis Rosenman, Bond Counsel, is of the opinion that under existing law, interest on the Series 2002A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “*Code*”), Bond Counsel is of the opinion that interest on the Series 2002A Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the Series 2002A Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but must be taken into account as earnings and profits of a corporation when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2002A Bonds is not exempt from Illinois income taxes.

**Exclusion from Gross Income: Requirements.** The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2002A Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2002A Bonds. These requirements relate to the use and investment of the proceeds of the Series 2002A Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2002A Bonds and the use of the property financed with the proceeds of the Series 2002A Bonds. The Agency covenants in the First Supplemental Resolution to comply with these requirements. Among these specific requirements are the following:

- (a) **Investment Restrictions.** Except during certain “temporary periods,” proceeds of the Series 2002A Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a “minor portion”) may generally not be invested in investments having a yield that is materially higher than the yield on the Series 2002A Bonds.
- (b) **Rebate of Permissible Arbitrage Earnings.** Earnings from the investment of the “gross proceeds” of the Series 2002A Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 2002A Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the Series 2002A Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2002A Bonds.
- (c) **Restrictions on Ownership and Use.** The Code includes restrictions on the ownership and use of the facilities financed with the proceeds of the Series 2002A Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the Series 2002A Bonds.

**Covenants to Comply.** The Agency covenants in the First Supplemental Resolution to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2002A Bonds.

**Risks of Non-Compliance.** In the event that the Agency fails to comply with the requirements of the Code, interest on the Series 2002A Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Second Lien Bond Resolution does not require acceleration of payment of principal of or interest on the Series 2002A Bonds or payment of any additional interest or penalties to the owners of the Series 2002A Bonds.

**Federal Income Tax Consequences.** Pursuant to Section 103 of the Code, interest on the Series 2002A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2002A Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE SERIES 2002A BONDS.

- (a) **Cost of Carry.** Owners of the Series 2002A Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2002A Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the Series 2002A Bonds.

- (b) *Corporate Owners.* Interest on the Series 2002A Bonds is generally taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 2002A Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.
- (c) *Individual Owners.* Receipt of interest on the Series 2002A Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.
- (d) *Certain Blue Cross or Blue Shield Organizations.* Receipt of interest on the Series 2002A Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.
- (e) *Property or Casualty Insurance Companies.* Receipt of interest on the Series 2002A Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.
- (f) *Foreign Personal Holding Company Income.* A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Series 2002A Bonds held by such a company is properly allocable to the shareholder.

***Change of Law.*** The opinion of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Series 2002A Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2002A Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2002A Bonds.

## MISCELLANEOUS

The summaries or descriptions of provisions in the Act, the Bond Resolution and the Project Use Agreements contained in this Official Statement, and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions and reference is hereby made to the complete documents relating to such matters for further information, copies of which will be furnished by the Agency on request.

Any statements made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated.

The Agency has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the Chairman of the Agency on behalf of the Agency.

**SOLID WASTE AGENCY OF NORTHERN COOK  
COUNTY**

/s/ George Van Dusen  
Chairman

**APPENDIX A**

**THE NORTHERN TRUST COMPANY**

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## APPENDIX A

### THE NORTHERN TRUST COMPANY

The Northern Trust Company (the "Initial Bank"), a wholly owned subsidiary of Northern Trust Corporation (the "Corporation"), was founded in 1889. Headquartered in Chicago, the Initial Bank also maintains offices in New York, London, Toronto, Singapore, Hong Kong, Montreal, Dublin and the Cayman Islands. The Initial Bank provides a wide array of banking, fiduciary and other financial services to selected markets including large and middle-market corporations, not-for-profit organizations and governmental entities, financial institutions and individuals. The Initial Bank is an Illinois State-chartered bank and a member of the Federal Deposit Insurance Corporation. It is subject to the regulations of the Illinois Office of Banks and Real Estate, the Federal Deposit Insurance Corporation and the Federal Reserve Board.

As of March 31, 2002, total assets of the Initial Bank were \$31.2 billion. Stockholders' equity at March 31, 2002 was \$2.0 billion.

The Corporation, a Delaware corporation whose principal office is located in Chicago, Illinois, is a bank holding company. The principal asset of the corporation is the capital stock of the Initial Bank. The Corporation also owns the capital stock of banks with offices located in Arizona, California, Florida, Texas, Colorado, Washington, Ohio, Michigan, Missouri, Wisconsin, and Nevada. The Corporation also owns the capital stock of a number of non-bank subsidiaries engaged primarily in business related to banking, fiduciary services and other financial services.

#### Financial Information

Total assets of the Corporation averaged \$37.7 billion for the first quarter of 2002, 6% higher than the first quarter of 2001. As of March 31, 2002, assets totaled \$38.0 billion. Stockholders' equity at March 31, 2002 was \$2.8 billion compared to \$2.6 billion at March 31, 2001.

The Corporation maintained a liquid balance sheet with securities and money market assets averaging 42% of total assets during the first quarter of 2002. Long-term debt payable of the Corporation, including Trust Preferred Securities, but excluding senior notes, was \$1.03 billion at March 31, 2002. The Corporation's reserve for credit losses at March 31, 2002 was \$160.3 million representing .91% of outstanding loans and leases.

The Corporation files reports, forms and other information with the Securities and Exchange Commission (the "Commission") in accordance with the requirements of the Securities Exchange Act of 1934 as amended. Additional information, including financial information relating to the Initial Bank, is set forth in the Annual Report on Form 10-K for the year ended December 31, 2001. The Initial Bank will provide without charge to each person to whom this Official Statement is delivered, upon the written request of such person, a copy of the most recent Annual Report to Shareholders of the Corporation, a copy of the Annual Report on Form 10-K, a copy of the Quarterly Report on Form 10-Q for the period ending March 31, 2002 and a copy of any Current Report on Form 8-K filed since the date of such Annual Report on Form 10-K. Written requests should be directed to: Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois 60675, Attention: Secretary.

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**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT USE AGREEMENTS**

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## **SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT USE AGREEMENTS**

The following is a summary of certain provisions of the Project Use Agreements between the Agency and its Members. Except as described in this summary, all of the Project Use Agreements are identical in all material respects. The summary does not purport to be a complete description of the terms of the Project Use Agreements and, accordingly, is qualified by reference thereto. Capitalized terms not otherwise defined in the body of this Official Statement or in Appendix C are defined in the Project Use Agreements. Copies of the Project Use Agreements may be obtained from the Agency.

### **Waste Commitment**

Under the Project Use Agreement, each Member commits to deliver its Member System Waste to the Agency from and after its Member Delivery Date through the term of the Project Use Agreement.

### **Undertaking of Agency Regarding Project**

On behalf of the Members, the Agency has agreed under the Project Use Agreements to, among other undertakings, use its best efforts to:

- (a) construct and operate those Construction Components of the Project which will enable it to accept for disposal all Member System Waste, provided that the Agency may undertake such construction in phases. The Construction Components include the Glenview Transfer Station, the Rolling Meadows Transfer Station, the Third Transfer Station, the Balefill, the Landscape Waste Facility and “Required Work,” which is defined as repairs, maintenance, renewals, replacements, improvements or betterments required by law or regulation or determined to be necessary by the Board of Directors of the Agency.
- (b) construct and operate the Glenview Transfer Station and Rolling Meadows Transfer Station and provide for the Third Transfer Station, make such Transfer Stations available for acceptance of Member System Waste, and provide for disposal of such waste.
- (c) construct and operate the Balefill and make it available for disposal of Member System Waste accepted at Transfer Stations. See “The Solid Waste Disposal Project – Balefill” and “– Agency’s Plan for Solid Waste Services” in the body of this Official Statement for a discussion of the Agency’s subsequent determination to abandon its development of the Balefill and to reduce the scope of the Project.
- (d) borrow the sums necessary to finance the Interim Costs, construct and operate a Landscape Waste Facility and undertake and complete all Required Work.

The Agency’s obligation to initiate and complete these undertakings is contingent upon the issuance of necessary governmental permits. If the Agency is unable to complete the Project or any Component or in the event that after completion, the operation of the Project or any Component is suspended, interrupted, interfered with, reduced or curtailed, the Agency must use reasonable efforts to find alternate means of disposal of the Member System Waste.

### **Payment Obligation**

The Members are obligated to make annual payments to the Agency in an aggregate amount sufficient to pay all of the Operation and Maintenance Costs and all of the Fixed Costs of the Project, including (i) prior to the First Lien Defeasance Date, Aggregate First Lien Debt Service on all First Lien Bonds, and any amounts required to pay Subordinated Indebtedness, including Aggregate Second Lien Debt Service on all Second Lien Obligations, and any amounts required to fund and maintain the

Environmental Fund, the First Lien Debt Service Reserve Account, the Renewal and Replacement Fund, the Rebate Fund and the Self-Insurance Fund and (ii) after the First Lien Defeasance Date, Aggregate Second Lien Debt Service on Second Lien Obligations, and any amounts required to fund and maintain the Second Lien Debt Service Reserve Account, the Environmental Fund, the Renewal and Replacement Fund, the Self-Insurance Fund and the Rebate Fund (see, “Security and Sources of Payment for the Series 2002A Bonds – Rate Covenant” herein). Each Member’s share of Operation and Maintenance Costs and Fixed Costs of the Project is expected to be paid from revenues to be derived from its Member Waste System, or from other available sources allocated for such purpose prior to the beginning of each Fiscal Year. The obligation of a Member to make such payments under its Project Use Agreement is a limited obligation of the Member payable from such revenues and other available sources.

The obligation of each Member to make all payments as required by its Project Use Agreement is unconditional and irrevocable, without setoff or counterclaim and irrespective of whether the Project or any Component is ever completed, made available or provided to the Member or whether any Member fails to deliver Member System Waste, and notwithstanding any suspension, interruption, interference, reduction or curtailment of the Project or any Component.

### **Billing and Collection**

Prior to the beginning of each Fiscal Year, the Agency will send each Member an estimated bill for such upcoming Fiscal Year, which the Member is obligated to pay monthly in twelve equal installments. At the end of each Fiscal Year, the Agency will calculate the actual charges each Member is responsible for and will either credit or bill each Member for any differences between the estimated bill and the actual charges. Such adjustments will take place over the first four months of the following Fiscal Year.

### **Allocation of Operation and Maintenance Costs and Fixed Costs**

The Operation and Maintenance Costs for any Fiscal Year are allocated among the Members by multiplying such costs by a fraction whose numerator is the Member System Waste accepted from the relevant Member and whose denominator is Agency Waste accepted for the relevant Fiscal Year, from Members obligated to use the Project at that time.

For any Fiscal Year during which the amount of waste accepted by the Agency is equal to or greater than 85% of Expected Agency Waste, the Fixed Costs are allocated among the Members by multiplying such costs by a fraction whose numerator is the Member System Waste accepted from the relevant Member and whose denominator is 85% of the Expected Agency Waste for the relevant Fiscal Year.

For any Fiscal Year during which the amount of waste accepted by the Agency is less than 85% of Expected Agency Waste, the Fixed Costs are allocated among the Members by multiplying such costs by a fraction (i) whose numerator is the greater of (A) Member System Waste accepted from the relevant Member or (B) 85% of the Expected Member System Waste and (ii) whose denominator is 85% of the Expected Agency Waste for the relevant Fiscal Year. Therefore, if the total amount of waste accepted by the Agency is less than 85% of the Expected Agency Waste for the year, then each Member will be obligated to pay Fixed Costs in an amount no less than if it had delivered at least 85% of its Expected Member System Waste.

### **Deficiency Charge**

If Revenues are, or if the Agency projects that Revenues will be, insufficient to pay the Operation and Maintenance Costs and the Fixed Costs of the Project (due to the default of any Member or for any other reason), the Agency may impose a Deficiency Charge upon each Member to cure the deficiency in

Revenues. Each Member has agreed to pay a percentage of any deficiency (the “*Deficiency Factor*”). The Deficiency Factor for each Member is shown in the table entitled “Table of Deficiency Factors” under the caption “Security and Sources of Payment for the Series 2002A Bonds – Project Use Agreements – *Deficiency Charge*.” These factors were established when the Project Use Agreements were signed and cannot be changed for the term of the Project Use Agreements. In the event of a payment default by a Member, the Agency has the option of imposing any Deficiency Charge only on the non-defaulting Members. The total Deficiency Charge a Member is obligated to pay for any Fiscal Year may not exceed the Deficiency Factor for the Member multiplied by the Fixed Costs of the Agency for that Fiscal Year, multiplied by one and one-third; provided that the total amount which a Member is obligated to pay with respect to Fixed Costs and Deficiency Charges for any Fiscal Year may not exceed the greater of (i) the sum of (A) its share of Fixed Costs for the Fiscal Year and (B) one-third of the Fixed Costs of the Agency for the Fiscal Year multiplied by its Deficiency Factor, and (ii) its Deficiency Factor multiplied by the Fixed Costs of the Agency for the Fiscal Year multiplied by one and one-third. Fixed Costs are all costs of the Project which do not vary as a function of waste delivered, including, but not limited to, debt service, funding of all reserves and all contracts for service, equipment and supplies.

Any Deficiency Charge imposed upon a Member that is a Home Rule Member will be a general obligation of the Home Rule Member for the payment of which its full faith and credit and its taxing power are pledged. Any Deficiency Charge imposed upon a Member that is a Non-Home Rule Member will be a limited obligation of the Non-Home Rule Member payable from the revenues derived from the Non-Home Rule Member Waste System and the moneys held in the Non-Home Rule Member Waste System enterprise or special revenue fund.

### **Pledge and Assignment of Payments**

All payments to be made pursuant to the Project Use Agreements constitute Revenues of the Project and are pledged under the Second Lien Bond Resolution. The right of the Agency to receive such payments and its right to enforce the payment obligations of the Members under the Project Use Agreements have been assigned to the Second Lien Trustee pursuant to the Second Lien Bond Resolution, subject to the prior assignment of such rights to the First Lien Trustee pursuant to the First Lien Bond Resolution. The Agency has covenanted in the Second Lien Bond Resolution to enforce the provisions of the Project Use Agreements and to perform its covenants and agreements thereunder.

### **Amendment**

The Agency has covenanted in the Second Lien Bond Resolution that it will not enter into any agreement modifying or amending any of the provisions of any Project Use Agreement without the prior written approval of the Second Lien Trustee. Under the Second Lien Bond Resolution, the Trustee may approve any such modification or amendment provided that it determines or receives a Counsel’s Opinion that the modification or amendment does not in any manner lessen, postpone or restrict the obligations of the Member to make payments to the Agency or the Second Lien Trustee under such Project Use Agreement.

### **Termination**

Each Project Use Agreement is in full force and effect and will terminate on the earlier to occur of (a) December 31, 2031 or (b) one year after the date on which 60% of the Directors of the Board vote to terminate, provided that termination shall not be effective until all First Lien Bonds and Subordinated Indebtedness, including the Second Lien Obligations, are no longer outstanding for at least one year.

## Member Covenants

Each Member has covenanted to maintain its Member Waste System in good repair and working order, operate it efficiently and faithfully, and conform with all applicable laws, regulations and agreements. Each Member also has covenanted to establish rules and regulations for the use, operation and composition of its Member Waste System and to vigorously enforce such rules and regulations, any agreements and ordinances relating to such system and to pursue the collection of rates and charges from its customers.

The Members also covenant to establish, maintain, revise as necessary, and collect rates and charges from customers of their respective Member Waste System as shall be required from time to time, together with other available funds, to produce revenues at least sufficient (a) to pay all amounts due under the Project Use Agreement, (b) to pay all other costs of operation and maintenance of the Member Waste System, (c) to provide adequate depreciation and reserve funds for the Member Waste System and (d) to conform with the terms of all the resolutions or ordinances authorizing issuance of bonds payable from the revenues of the Member Waste System.

Any resolution or ordinance of the Member which authorizes the issuance after March 1992 of any obligation of the Member to be paid from revenues of its Member Waste System will expressly provide that revenues of its Member Waste System may be used to pay debt service on those obligations only to the extent that those revenues exceed the amount required to pay the operation and maintenance expenses of its Member Waste System including, expressly, all amounts payable from time to time under the Project Use Agreement.

Each Member has also covenanted to keep in full force and effect during the term of the Project Use Agreement an ordinance establishing its Member Waste System. Such ordinance and any agreement related thereto must:

- (a) establish its Member Waste System for the collection, transportation and disposal of Member System Waste by either (i) a waste disposal franchise system or licensing system or (ii) a municipally owned and municipally or privately operated waste disposal system or a combination of (i) and (ii);
- (b) require all Member System Waste to be disposed of at a Transfer Station as designated by the Agency;
- (c) prohibit the delivery of all but Member System Waste to any Transfer Station unless otherwise agreed to by the Agency;
- (d) require all haulers of Member System Waste to comply with all laws and other applicable requirements;
- (e) provide for the imposition of rates and charges on customers of the Member Waste System and to pledge revenues of such system to secure the obligations of the Member under the Project Use Agreement;
- (f) provide for appropriate sanctions for failure to comply with the ordinance; and
- (g) prohibit the transportation or disposal of Member System Waste by anyone other than the Member or an authorized hauler.

Each Member has also covenanted to not create, nor permit the operation of, a waste system which competes with its Member Waste System without the written consent of the Agency.

Each Member has made various other covenants, including covenants intended to prevent any adverse affect on the exclusion from gross income of interest on the Bonds or any Subordinated Indebtedness.

### **Defaults and Remedies**

The following are defaults of the Member under the Project Use Agreement:

- (a) Failure to pay when due any amounts payable under the Project Use Agreement;
- (b) Failure to pay when due any other amounts payable to the Agency, including, but not limited to any charge imposed pursuant to the Agency Agreement;
- (c) Failure to deliver its Member System Waste; and
- (d) Failure to perform any other obligation under the Project Use Agreement and the continuation of that failure for 30 days after written notice from the Agency or the Trustee of such failure.

A Member will not be in default under (c) or (d) above if the Member is prevented from or delayed in performance of such obligations by any event beyond its reasonable control.

The Agency may pursue any remedy which may be available at law or in equity or under the Project Use Agreement or the Agency Agreement, including any right to refuse to accept delivery of Member System Waste.

Failure by the Agency to perform any obligation under the Project Use Agreement and the continuation of that failure to perform for 30 days after written notice from the Member constitutes a default under the Project Use Agreement, unless the Agency is prevented from or delayed in performance of such obligations by any event beyond its reasonable control.

In the event of a default by the Agency, the Member may bring any action against the Agency, but, as long as any First Lien Bonds or Subordinated Indebtedness, including the Second Lien Obligations, are outstanding, the Member has no right to cancel or rescind the Project Use Agreement, no right to withhold payments due or to become due under the Project Use Agreement, no right to setoff or counter claim, and no right to recover amounts pledged and assigned as security for the payment of First Lien Bonds and Subordinated Indebtedness.

### **Procedure for Issuing Additional Second Lien Obligations**

In addition to the restrictions on issuing Additional Second Lien Obligations under the Second Lien Bond Resolution as described under the caption “Security and Sources of Payment for the Series 2002A Bonds – Additional Second Lien Obligations”, the Project Use Agreements establish a procedure for issuing Second Lien Obligations and any Additional Second Lien Obligations. Except as provided below, the Agency may, by a majority vote, determine to issue Second Lien Obligations to finance the various Components at such time, in such amount, and in one or more series as is in the best interest of the Agency.

Before issuing Second Lien Obligations (for other than Financing Components, Required Work or refundings of First Lien Bonds or Second Lien Obligations), the Agency must obtain an engineer’s report estimating the cost of the Construction Component or Components of the Project to be financed by the proposed Second Lien Obligations and comparing such costs to be financed to the estimates contained in the Project Use Agreements.

If the engineer's report estimates that the Costs of Construction of the Construction Component to be financed by the proposed Second Lien Obligations is not more than the cost as detailed in the Project Use Agreements, plus the Inflation Adjustment, then the Agency may issue Second Lien Obligations to pay the Costs of Construction of such Construction Component and to pay Financing Expenses with respect to such Component, upon the approval of a majority of the Directors of the Board then holding office.

If the engineer's report estimates that the Costs of Construction of the Construction Component to be financed by the proposed Second Lien Obligations is more than 100% but no more than 125% of the cost detailed in the Project Use Agreements, plus the Inflation Adjustment, then the Agency may issue Second Lien Obligations to pay the Costs of Construction of such Construction Component and to pay Financing Expenses with respect to such Component, upon the approval of 60% of the Directors of the Board then holding office.

If the engineer's report estimates that the Costs of Construction of the Construction Component to be financed by the proposed Second Lien Obligations is more than 125% but no more than 195% of the cost detailed in the Project Use Agreements, plus the Inflation Adjustment, then the Agency may issue Second Lien Obligations to pay the Costs of Construction of such Construction Component and to pay Financing Expenses with respect to such Component, upon the approval of (i) 60% of the Directors of the Board and (ii) the corporate authorities of 60% of the Members. Without the consent of the corporate authorities of all of the Members, the Agency cannot issue Second Lien Obligations to pay any costs in excess of 195% of the Costs of Construction of any Construction Component (except Required Work) detailed in the Project Use Agreements, plus the Inflation Adjustment.

Upon the completion of each Construction Component (except Required Work), the engineer will certify the Costs of Construction of such Construction Component. The positive difference between the Costs of Construction of a Construction Component described in the Project Use Agreements, plus the Inflation Adjustment to the date of the certificate minus the certified Costs of Construction, may be used to increase the cost shown in the Project Use Agreements for another Construction Component for the purpose of determining whether the engineer's report for that Construction Component is within the estimate for the purpose of determining the necessary procedure for issuing Second Lien Obligations for such Component.

### **Agency Covenants**

Under the Project Use Agreements, the Agency has covenanted and agreed to operate and maintain the Project (i) in conformance with all laws and the Project Use Agreement and (ii) in order to be able to perform its obligation to accept Member System Waste. The Agency has also covenanted to maintain in effect and enforce the Project Use Agreement with each of the Members as required by the Second Lien Bond Resolution and to perform all of its covenants under the Second Lien Bond Resolution. The Agency also has covenanted to enter into an agreement to accept waste other than Member System Waste only if the performance of the Agency obligations thereunder do not impair the Agency's ability to perform its obligations under the Project Use Agreements.

### **Obligations upon Withdrawal**

If a Member withdraws from the Agency as permitted under the Agency Agreement, it will remain fully obligated under the Project Use Agreement, including, but not limited to, all payment obligations, all obligations to deliver waste and all other performance obligations and covenants.



**APPENDIX C**

**DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN BOND  
RESOLUTION**

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*The following contains certain definitions from and a composite summary of certain provisions of the Second Lien Master Resolution and the First Supplemental Resolution (collectively the “Second Lien Bond Resolution”), to which reference is made for a complete statement of the provisions and contents of each of such documents. These definitions and summary do not purport to be comprehensive or definitive. Copies of the Second Lien Bond Resolution are available for review prior to the issuance and delivery of the Series 2002A Bonds at the offices of the Agency and thereafter at the principal corporate trust office of the Second Lien Trustee.*

## **DEFINITIONS**

The following terms, for all purposes of the Second Lien Bond Resolution, and of any resolution amendatory thereof or supplemental thereto, and of any certificate, opinion or other document therein mentioned, will have the following meanings.

“Accountant” means a firm of independent certified public accountants of recognized national standing approved by the Agency, which may be the firm of independent certified public accountants that regularly audits the books of the Agency.

“Accountant’s Certificate” means an opinion signed by an Accountant.

“Act” means the Intergovernmental Cooperation Act, 5 Illinois Compiled Statutes 220.

“Additional Project” means a “waste project” as defined in Section 3.2(j)(2) of the Act that (i) is undertaken by or on behalf of the Agency, (ii) is approved by the Financing Members and (iii) with respect to which each Financing Member undertakes payment obligations substantially the same as those undertaken by such Financing Member under its Project Use Agreement.

“Adjustment Date” means (a) the date of original issuance and delivery of the Series 2002A Bonds, (b) any date which is the first day of an Adjustment Period designated in the manner set forth in the First Supplemental Resolution, (c) any Substitute Adjustment Date designated in the manner set forth in the First Supplemental Resolution, and (d) any proposed Fixed Rate Conversion Date designated in the manner set forth in the First Supplemental Resolution.

“Agency” means the Solid Waste Agency of Northern Cook County, a municipal corporation and public body politic and corporate of the State of Illinois established pursuant to Section 3.2 of the Act and the Agency Agreement.

“Agency Agreement” means the agreement entitled “An Agreement Establishing the Solid Waste Agency of Northern Cook County as a Municipal Joint Action Agency,” dated as of May 2, 1988, as it may be amended from time to time, by which the Members have established the Agency.

“Aggregate First Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year, an amount of money equal to the aggregate of the amounts of Annual First Lien Debt Service with respect to such Bond Year and to the First Lien Bonds of all series.

“Aggregate Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year, an amount of money equal to the aggregate of the amounts of Annual Second Lien Debt Service with respect to such Bond Year and to the Second Lien Obligations of all Series, including all Section 208 Obligations.

“Annual First Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year and to First Lien Bonds of a particular series, an amount of money equal to the sum of (a) all interest payable during such Bond Year on all First Lien Bonds of said series

Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year with respect to all First Lien Bonds of said series Outstanding on said date of computation, all calculated on the assumption that First Lien Bonds will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the First Lien Resolution and the supplemental resolution creating such series of First Lien Bonds of Principal Installments payable at or after said date of computation.

“Annual Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year and to Second Lien Obligations of a particular Series or consisting of a particular Section 208 Obligation, an amount of money equal to the sum of (a) all interest payable during such Bond Year on all Second Lien Obligations of said Series or Section 208 Obligation Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year with respect to all Second Lien Obligations of said Series or Section 208 Obligation Outstanding on said date of computation, all calculated on the assumption that Second Lien Obligations or Section 208 Obligations will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Second Lien Master Resolution and the Supplemental Resolution creating such Series or instrument creating such Section 208 Obligation of Principal Installments payable at or after said date of computation.

“Authorized Officer,” in respect of any act or duty, means (i) any director, officer or employee of the Agency authorized by resolution of the Board to perform that particular act or duty and (ii) in the absence of such authorization, the Executive Director of the Agency.

“Board” means the Board of Directors of the Agency.

“Bond Counsel” means a firm of attorneys having expertise in the field of law relating to municipal, state and public agency financing, selected by the Agency and satisfactory to the Second Lien Trustee.

“Bond Counsel’s Opinion” means a written opinion of Bond Counsel.

“Bond Insurance Policy” means a municipal bond insurance policy issued by a Bond Insurer, which guaranties payment of principal of and interest on one or more Second Lien Obligations.

“Bond Insurer” means, with respect to any Series of Second Lien Obligations, the insurance company that has insured the payment of the principal of and interest on all or any portion of such Series and any successor thereto.

“Bond Year” means a 12-month period commencing on May 2 of each calendar year and ending on May 1 of the next succeeding calendar year.

“Capital Appreciation Obligation” means a Second Lien Obligation bearing interest that is compounded on an initial date and semiannually thereafter, and is payable at maturity.

“Code” means the Internal Revenue Code of 1986, as from time to time supplemented and amended. References to the Code and to sections of the Code shall include relevant final, temporary or proposed Regulations as in effect from time to time and, with reference to any Series of Second Lien Obligations, as applicable to obligations issued on the date of issuance of such Series.

“Construction Components” means the Wheeling Township Transfer Station, the Rolling Meadows Transfer Station, the Third Transfer Station, the Landscape Waste Facility and Required Work.

“Contract Revenues” means all amounts received by the Agency (or the Second Lien Trustee pursuant to the First Lien Resolution) from Financing Members under their respective Project Use Agreements.

“Costs of Construction” means and includes, together with any other proper item of cost properly capitalized but not specifically mentioned herein, the following costs and expenses of the Agency in connection with or incidental to the completion of the Project or any Construction Component:

(a) the costs and expenses for labor, equipment, supplies and materials, and payments to contractors, builders, suppliers and materialmen in connection with construction, improvement, expansion, repair and replacement (excluding any costs and expenses described in subparagraph (c) below);

(b) the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of development and construction;

(c) the costs and expenses of test borings, surveys, site investigations, the acquisition of real or personal property or interests herein, provisions to indemnify or secure a seller of any such property or interests therein, demolition of any buildings or structures and other site preparation costs necessary for development and construction, and supervising construction, as well as the performance of all duties required by or consequent upon proper construction;

(d) the costs and expenses of acquiring or leasing equipment, machinery and rolling stock to be used in conjunction with a Construction Component or the Project, including equipment used to transport Waste;

(e) fees and expenses for architectural, engineering, legal and other professional services with respect to the Project or any Construction Component during construction;

(f) any sums required to reimburse the Agency or any other lawfully authorized person for advances made by any of them for any of the above items, or for any other costs incurred and for work done by any of them, which are properly chargeable to development and construction including, without limitation, administrative expenses attributable to the period prior to the completion of the Project;

(g) the payment of any obligations of the Agency (including any interest and redemption premiums) incurred to temporarily finance the payment of any costs of the Project or any Construction Component; and

(h) such other costs and expenses not specified herein as may be necessary or incidental to development, acquisition, construction, expansion, improvement, repair, replacement and operation during construction, of all or any part of the Project or any Construction Component, the financing thereof and the placing of the same in use and operation.

“Costs of Issuance” means any item of expense payable or reimbursable, directly or indirectly, by the Agency and related to the authorization, offering, sale, issuance and delivery of Second Lien Obligations of any Series, including without limitation, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and disbursements, fees and disbursements of any Accountant and Independent Consultant, fees and disbursements of other consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Second Lien Obligations, application fees, premiums and charges on a Credit Facility and costs and expenses relating to the refunding of any bonds or other obligations of the Agency.

“Counsel’s Opinion” means a written opinion of counsel selected by the Agency.

“Credit Facility” means, with respect to a Series of Second Lien Obligations, the irrevocable letter of credit, line of credit, Bond Insurance Policy, surety or other form of credit enhancement and/or liquidity support, if any, including any alternate or replacement Credit Facility, for such Series of Second Lien Obligations.

“Credit Provider” means, with respect to a Series of Second Lien Obligations, the provider of a Credit Facility, if any, for such Series of Second Lien Obligations.

“Customer” means any person, corporation, unit of government or other entity which provides Customer Waste for handling, processing or disposal pursuant to a contract with the Agency, which is not a Project Use Agreement.

“Customer Contract” means a contract with a Customer which provides Customer Waste for handling, processing or disposal, and which is not a Project Use Agreement.

“Customer Waste” means all waste accepted by the Agency at a Transfer Station which is not Financing Member System Waste of any Financing Member.

“Daily Mode” means any Adjustment Period during which Rate Determination Dates and Rate Change Dates occur on each Business Day in the manner set forth in the First Supplemental Resolution, and during which the Series 2002A Bonds which bear interest during such Adjustment Period bear interest at the Daily Rate.

“Daily Rate” means, for each Rate Period within a Daily Mode applicable to a Series 2002A Bond, a fixed per annum interest rate borne by such Series 2002A Bond established pursuant to the provisions of the First Supplemental Resolution equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such Series 2002A Bond to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Rate Change Date for such Rate Period.

“Defeasance Obligation” means 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, STRPS, or non-callable defeased municipal bonds rated AAA by any Rating Agency.

“Demand Date” means (i) with respect to any Series 2002A Bond during a Daily Mode, the Business Day on which the Second Lien Trustee’s Agent and the Remarketing Agent receive notice prior to 10:00 a.m., Chicago time, from the Registered Owner thereof demanding to have such Series 2002A Bond (or any portion thereof in an Authorized Denomination) purchased (or the succeeding Business Day if such notice is received after 10:00 a.m., Chicago time), all as provided in the First Supplemental Resolution, and (ii) with respect to any Series 2002A Bond during a Weekly Mode, the Business Day specified in the notice received by the Second Lien Trustee’s Agent upon which the Registered Owner of such Series 2002A Bond intends to tender such Series 2002A Bond (or any portion thereof in an Authorized Denomination) for purchase as provided in the First Supplemental Resolution, which Business Day shall be not less than seven calendar days after the date such notice is received.

“Eligible Moneys” means (a) moneys (i) paid or deposited by the Agency to or with the Second Lien Trustee, (ii) continuously held in any fund, account or subaccount established under the First Supplemental Resolution which is subject to the lien of the First Supplemental Resolution and in which

no other moneys which are not Eligible Moneys are held, and (iii) which have so been on deposit with the Second Lien Trustee for at least 91 days from their receipt by the Second Lien Trustee, during and prior to which period no Event of Bankruptcy (as defined in the First Supplemental Resolution) shall have occurred, together with investment earnings on such moneys; (b) moneys received by the Second Lien Trustee pursuant to the Letter of Credit which are held in any fund, account or subaccount established hereunder in which no other moneys which are not Eligible Moneys are held, together with investment earnings on such moneys; (c) proceeds from the remarketing of any Series 2002A Bonds pursuant to the provisions of the First Supplemental Resolution to any person other than the Agency; (d) proceeds from the issuance and sale of refunding bonds, together with the investment earnings on such proceeds, if there is delivered to the Second Lien Trustee at the time of issuance and sale of such refunding bonds an opinion of bankruptcy counsel acceptable to the Second Lien Trustee and to each rating agency then maintaining a rating on the Series 2002A Bonds bearing interest at a Short Rate or an Adjustable Long Rate to the effect that the use of such proceeds and investment earnings to pay the principal of, premium, if any, or interest on the Series 2002A Bonds would not be avoidable as preferential payments under Section 547 (as incorporated into Chapter 9) of the United States Bankruptcy Code should an Event of Bankruptcy occur; and (e) moneys which are derived from any other source, together with the investment earnings on such moneys, if the Second Lien Trustee has received an opinion of bankruptcy counsel acceptable to the Second Lien Trustee and to each rating agency then maintaining a rating on the Series 2002A Bonds bearing interest at a Short Rate or an Adjustable Long Rate to the effect that payment of such amounts to Bondholders would not be avoidable as preferential payments under Section 547 (as incorporated into Chapter 9) of the United States Bankruptcy Code should an Event of Bankruptcy occur; provided, however, that (a) through (e) notwithstanding, such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Series 2002A Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment. For the purposes of this definition, the term “moneys” shall include cash and any investment securities, including, without limitation, Federal Obligations.

“Event of Default” means an Event of Default under the provisions of the Second Lien Master Resolution.

“Federal Obligation” means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

“Fiduciary” means the Second Lien Trustee, any paying agent or any tender agent or any or all of them, as may be appropriate.

“Financing Expenses” means expenses related to the issuance of Second Lien Obligations of the Agency, including costs of issuance, reserve funds, capitalized interest and credit enhancement fees and expenses.

“Financing Member” means a Member of the Agency which is a party to a Project Use Agreement.

“Financing Member Costs” means all costs and charges imposed on a Financing Member under a Project Use Agreement.

“Financing Member System Waste” means, for each Financing Member, the Waste generated by persons as identified by the types of waste generated and the geographic area or areas of such generation as defined by the financing member waste system provided in a Project Use Agreement.

“First Lien Bonds” means any of the bonds of the Agency authenticated and delivered pursuant to the First Lien Resolution.

“First Lien Bond Fund” means the Debt Service Fund created by the First Lien Resolution.

“First Lien Defeasance Date” means the date that the pledge contained in the First Lien Resolution shall be discharged and satisfied as provided in the First Lien Resolution.

“First Lien Resolution” means the Resolution Number 1992-2, adopted by the Board on April 8, 1992, as heretofore amended or supplemented and as further amended or supplemented by one or more Supplemental First Lien Resolutions.

“First Lien Trustee” means American National Bank and Trust Company of Chicago, as trustee under the First Lien Resolution, or its successor as such trustee hereafter appointed in the manner provided in the First Lien Resolution.

“Fiscal Year” means the twelve-month period established by the Agency from time to time as its fiscal year, initially a period commencing on May 1 of each year and ending on the next April 30.

“Fixed Rate” means, for the Fixed Mode applicable to a Series 2002A Bond, a fixed per annum interest rate borne by such Series 2002A Bond established pursuant to the First Supplemental Resolution equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such Series 2002A Bond to be remarketed at the principal amount thereof on the Fixed Rate Conversion Date for such Fixed Mode.

“Fixed Rate Conversion Date” means an Adjustment Date for any Series 2002A Bond on which it begins to bear interest at a Fixed Rate.

“Flexible Mode” means any Adjustment Period during which the Rate Determination Date and the Rate Change Date for each Rate Period therein (which shall have a duration which is not less than seven days nor more than 270 days) shall occur on the first day of such Rate Period which shall be designated by the Remarketing Agent pursuant to the provisions of the First Supplemental Resolution, and during which the Series 2002A Bonds which bear interest during such Adjustment Period bear interest at the Flexible Rate.

“Flexible Rate” means, for each Rate Period within a Flexible Mode applicable to a Series 2002A Bond, a fixed per annum interest rate borne by such Series 2002A Bond established pursuant to the provisions of the First Supplemental Resolution equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such Series 2002A Bond to be remarketed at the principal amount thereof on the Rate Change Date for such Rate Period.

“Independent Consultant” means an individual or firm having a favorable reputation for skill and experience as a financial advisor for issuers of municipal bonds.

“Insured Obligation” means any Second Lien Obligation with respect to which the payment of principal and interest is guaranteed under a Bond Insurance Policy.

“Interest Payment Date” means any Payment Date on which interest on any Second Lien Obligation is payable.

“Landscape Waste Facility” means a facility to be built by the Agency which will dispose of landscape waste.

“Maximum Interest Rate” means fifteen percent (15%) per annum.



“Members” means the municipalities and counties that are Members of the Agency pursuant to the Agency Agreement.

“Net Revenues” when used with respect to a period of time, means the excess (if any) of the Revenues for such period of time over Operating and Maintenance Expenses for such period of time.

“Operation and Maintenance Expenses” means all actual operation and maintenance costs and expenses incurred in (i) the administration, operation and maintenance of the Project and (ii) the general administration of the Agency, as allocated to the Project.

Such Operation and Maintenance Expenses shall include, without limiting the generality of the foregoing, all of the expenses incurred to meet the operation and maintenance of the Project, rents, administrative and general expenses, engineering expenses, legal, accounting and financial advisory expenses, payments to pension, retirement, health and hospitalization funds, taxes, payments in-lieu-of taxes and other governmental charges, insurance and surety bond premiums and any other current expenses or obligations required to be paid by the Agency under the provisions of the First Lien Resolution or the Second Lien Master Resolution or under or in connection with the performance of its obligations under the Project Use Agreements or by law or regulation, all to the extent properly allocable to the Project, and the fees and expenses of the Fiduciaries.

Such Operation and Maintenance Expenses do not include depreciation or obsolescence charges or reserves therefor; amortization of intangibles or other bookkeeping entries of a similar nature; interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the Agency (including reimbursement obligations), or costs, or charges made therefor; costs or charges for capital improvements to or retirements from the Project which are properly chargeable to the capital account or the reserve for depreciation and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the Project; or such property items which are capitalized pursuant to the then existing accounting practice of the Agency.

“Outstanding,” when used with reference to First Lien Bonds shall have the meaning ascribed to such term in the First Lien Resolution and, when used with reference to the Second Lien Obligations, means, as of any date, all Second Lien Obligations theretofore or thereupon being issued under the Second Lien Master Resolution or incurred pursuant to Section 208 except:

(a) Second Lien Obligations cancelled by the Second Lien Trustee or the owner of a Section 208 Obligation, as the case may be, at or prior to such date or theretofore delivered to the Second Lien Trustee or the Agency, as the case may be, for cancellation;

(b) Second Lien Obligations (or portions of Second Lien Obligations) for the payment or redemption of which there shall be held in trust and set aside for such payment or redemption (whether at, prior to or after the maturity or redemption date) moneys or Defeasance Obligations the principal of and interest on which when due or payable will provide moneys, together with the moneys, if any, deposited with the Second Lien Trustee at the same time, in an amount sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, and, if such Second Lien Obligations are to be redeemed, for which notice of such redemption shall have been given as provided in the related Supplemental Resolution or provisions satisfactory to the Second Lien Trustee shall have been made for the giving of such notice;

(c) Second Lien Obligations for the transfer or exchange of, in lieu of or in substitution for which other Second Lien Obligations shall have been authenticated and delivered pursuant to the Second Lien Master Resolution; and

(d) Second Lien Obligations deemed to have been paid as provided in the Second Lien Master Resolution.

“Owner” or “owner” means the registered owner of any bond constituting a Second Lien Obligation.

“Payment Date” means any date on which a Principal Installment or interest on any Series of Second Lien Obligations is payable in accordance with its terms and the terms of the Second Lien Master Resolution and the Supplemental Resolution creating such Series or, in the case of Section 208 Obligations or amounts payable under any Qualified Swap Agreement, in accordance with the terms of the instrument creating such Section 208 Obligations or such Qualified Swap Agreement.

“Principal Installment” means,

(a) as of any particular date of computation and with respect to First Lien Bonds of a particular series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding First Lien Bonds of said series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding First Lien Bonds which would at or before said future date be retired by reason of the payment when due and application in accordance with the First Lien Resolution of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding First Lien Bonds, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding First Lien Bonds of such series, and said future date shall, for all purposes hereof, be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment; and

(b) as of any particular date of computation and with respect to Second Lien Obligations of a particular Series or consisting of a particular Section 208 Obligation, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Second Lien Obligations of said Series or Section 208 Obligation which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Second Lien Obligations which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Second Lien Master Resolution and the Supplemental Resolution creating such Series or the instrument creating such Section 208 Obligation of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Second Lien Obligations, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of such Outstanding Second Lien Obligations, and said future date shall, for all purposes hereof, be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

“Principal and Interest Account Requirement” means, as of any date of calculation, an amount equal to the sum of (i) the interest on the Series 2002A Bonds accrued and unpaid; (ii) the interest on the Series 2002A Bonds to accrue to the first Business Day of the next month; provided that if the Series 2002A Bonds bear interest at a Short Rate or a Bank Rate (as defined in the Credit Agreement) such interest shall be calculated at the then current rate to the end of the then current Rate Period and thereafter at the Maximum Interest Rate; (iii) the principal of the Series 2002A Bonds then due and unpaid; (iv) if principal of the Series 2002A Bonds matures within one year of the first Business Day of the next month, that portion of the principal next due that would have accrued to the first Business Day of the next month if deemed to accrue daily from a date one year prior to its due date; and (v) if the Agency is required to optionally redeem Series 2002A Bonds within one year of the first Business Day of the next month by the terms of any Credit Agreement furnished to the Second Lien Trustee pursuant to the First Supplemental Resolution, that portion of the principal to be redeemed that would have accrued to the first

Business Day of the next month if deemed to accrue daily from a date one year prior to its date of optional redemption.

“Pro Forma Annual Debt Service” means, with respect to a particular Bond Year, an amount of money equal to the sum of (a) Aggregate First Lien Debt Service on the date of computation and (b) Aggregate Second Lien Debt Service on the date of computation. In computing Pro Forma Annual Debt Service, interest shall be excluded from the determination to the extent that capitalized interest or accrued interest paid by purchasers of First Lien Bonds or Second Lien Obligations is available to pay such interest.

“Project” means (a) prior to the First Lien Defeasance Date, a “waste project” as defined in Section 3.2(j)(2) of the Act undertaken by or on behalf of the Agency and consisting of the Construction Components and (b) after the First Lien Defeasance Date, a “waste project” as defined in Section 3.2(j)(2) of the Act undertaken by or on behalf of the Agency and consisting of the Construction Components and one or more Additional Projects.

“Project Budget” means the annual budget for the Project adopted by the Agency as provided in the Second Lien Master Resolution.

“Project Obligations” means any Series of Second Lien Obligations other than a Series of Refunding Obligations.

“Project Use Agreement” means a Project Use Agreement between the Agency and a Financing Member, dated March 25, 1992, as amended or supplemented from time to time in accordance with its terms.

“Qualified Collateral” means:

- (a) Federal Obligations; and
- (b) direct and general obligations of any state of the United States of America or any political subdivision of the State of Illinois which are rated not less than AA or Aa or their equivalents by any Rating Agency.

“Qualified Investments” means any of the following investments which at the time of investment of any amounts in any fund or account are legal investments under the laws of the State of Illinois for moneys on deposit in that fund or account:

- (a) Federal Obligations;
- (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee therefor has been given irrevocable instructions concerning their calling and redemption and the issuer thereof has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or Federal Obligations, which Federal Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the Federal Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the Federal Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the Federal Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated by any Rating Agency in the highest rating category of such Rating Agency;

(c) deposits in interest-bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association, including the Second Lien Trustee, which deposits, to the extent not insured by the Federal Deposit Insurance Corporation, shall be secured by Qualified Collateral having a current market value (exclusive of accrued interest) at least equal to the amount of such deposits, marked to market monthly, and which Qualified Collateral shall have been deposited in trust by such bank or national banking association with the trust department of the Second Lien Trustee or with a Federal Reserve Bank or branch or, with the written approval of the Agency and the Second Lien Trustee, with another bank, trust company or national banking association for the benefit of the Agency and the appropriate fund or account as collateral security for such deposits;

(d) direct and general obligations of any state of the United States of America or any political subdivision of the State of Illinois which are rated not less than AA or Aa or their equivalents by any Rating Agency;

(e) obligations issued by any of the following agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks System, Federal Land Banks, Export Import Bank, Tennessee Valley Authority, Government National Mortgage Association, Farmers Home Administration, United States Postal Service, Fannie Mae, Student Loan Marketing Association, Federal Farm Credit Bureau, Federal Home Loan Mortgage Corporation, Federal Housing Administration, any agency or instrumentality of the United States of America and any corporation controlled and supervised by, and acting as an agency or instrumentality of, the United States of America;

(f) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(g) any repurchase agreements collateralized by securities described in clauses (a) or (e) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank or parent holding company providing a guaranty has an uninsured, unsecured and unguaranteed obligation rated (an "unsecured rating") Prime-1 and A or better by Moody's Investors Service, Inc. ("Moody's") or A-1 or A3 or better by Standard & Poor's Ratings Group ("S&P") provided (1) a specific written agreement governs the transaction; (2) the securities are held by a depository acting solely as agent for the Second Lien Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and with combined capital, surplus and undivided profits of not less than \$25,000,000, and the Second Lien Trustee shall have received written confirmation from such third party that it holds such securities; (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R 306.1 *et seq.* or 31 C.F.R 350.0 *et seq.* in such securities is created for the benefit of the Second Lien Trustee; (4) the repurchase agreement has a term of one year or less, or the collateral securities will be valued no less frequently than monthly and will be liquidated if any deficiency in the required collateral percentage is not restored within two business days of such valuation; (5) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to a Payment Date; and (6) the fair market value of the securities in relation to the amount of the repurchase obligations, including principal and interest, is equal to at least 100 percent;

(h) shares of an investment company, organized under the Investment Company Act of 1940 as amended, which invests its assets exclusively in obligations of the type described in clauses (a) to (f);

(i) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by S&P and Moody's;

(j) long-term or medium-term corporate debt guaranteed by any corporation that is rated by both S&P and Moody's in either of their two highest rating categories;

(k) prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's and at least "A-1" by S&P, if S&P then maintains a rating on such paper;

(l) the Public Treasurers' Investment Pool of the State of Illinois; and

(m) any other type of investment in which the Agency directs the Second Lien Trustee in writing to invest, provided that there is delivered to the Second Lien Trustee a certificate of an Authorized Officer stating that each Rating Agency has been informed of the proposal to invest in such investment and each Rating Agency has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any Second Lien Obligations.

"Qualified Reserve Account Credit Instrument" means a letter of credit, surety bond, or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated "Aa" or better by Moody's Investors Service or "AA" or better by Standard & Poor's Ratings Service as of the date of issuance thereof. Any such letter of credit, surety bond or insurance policy shall be issued in the name of the Second Lien Trustee and shall contain no restrictions on the ability of the Second Lien Trustee to receive payments thereunder other than a certification of the Second Lien Trustee that the funds drawn thereunder are to be used for the purposes for which moneys in the Debt Service Reserve Account may be used.

"Qualified Swap Agreement" means an agreement between the Agency and a Swap Provider under which the Agency agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the Agency for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (i) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider or of the person who guarantees the obligation of the Swap Provider to make its payments to the Agency, as of the date the swap agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Second Lien Obligations by such Rating Agency (without regard to any Bond Insurance Policy or any other Credit Facility), and (ii) the Agency has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the swap agreement of its intention to enter into the swap agreement and has received from such Rating Agency a written indication that the entering into of the swap agreement by the Agency will not in and of itself cause a reduction or withdrawal by such Rating Agency of its unenhanced rating on the Second Lien Obligations.

"Rate Change Date" means for each Rate Period (a) during any Daily Mode, each Business Day, (b) during any Weekly Mode, Thursday or such other day of the week designated as such by the Remarketing Agent from time to time, in accordance with the provisions of the First Supplemental

Resolution, (c) during any Adjustable Long Mode, the Business Day(s) specified in the notice delivered to the Second Lien Trustee in accordance with the provisions of the First Supplemental Resolution, (d) during any Flexible Mode, the Business Day(s) specified in the notice delivered to the Second Lien Trustee in accordance with the provisions of the First Supplemental Resolution, and (e) each Adjustment Date.

“Rate Determination Date” means for (a) each Rate Period during any Daily Mode, the Rate Change Date for such Rate Period, (b) each Rate Period during any Weekly Mode, Wednesday or such other day of the week designated as such by the Remarketing Agent from time to time, in accordance with the provisions of the First Supplemental Resolution, next preceding the Rate Change Date for such Rate Period (unless such day is not a Business Day, in which case the Rate Determination Date shall be the immediately preceding Business Day), (c) each Rate Period during any Adjustable Long Mode, the Business Day(s) specified in the notice delivered to the Second Lien Trustee in accordance with the provisions of the First Supplemental Resolution, which Business Day(s) shall not be less than one calendar day or more than 30 calendar days prior to the first day of such Rate Period, (d) each Rate Period during any Flexible Mode, the Rate Change Date for such Rate Period specified in the notice delivered to the Second Lien Trustee in accordance with the provisions of the First Supplemental Resolution, (e) the Rate Period during a Fixed Mode, the date of the firm underwriting or purchase contract referred to in the provisions of the First Supplemental Resolution, (f) the Rate Period following a proposed Fixed Rate Conversion Date in the event of a failed conversion, such proposed Fixed Rate Conversion Date, and (g) the Rate Period following a failed Interest Mode conversion pursuant to the First Supplemental Resolution, the proposed Adjustment Date.

“Rate Period” means, with respect to each Series 2002A Bond, each period commencing on a Rate Change Date for such Series 2002A Bond to and including the day immediately preceding the immediately succeeding Rate Change Date for such Series 2002A Bond (or the maturity date or date of redemption thereof), during which period such Series 2002A Bond shall bear interest at one specific interest rate.

“Rating Agency” means any rating agency that has an outstanding credit rating assigned to any Second Lien Obligation at the request of the Agency.

“Redemption Price,” means with respect to any Series of Second Lien Obligations, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Second Lien Obligations or the Supplemental Resolution creating such Series of Second Lien Obligations, or such other redemption price as may be specified in such Second Lien Obligations or Supplemental Resolution.

“Refunding Obligations” means all Second Lien Obligations, whether issued in one or more Series, authenticated and delivered on original issuance for the purpose of the refunding of First Lien Bonds or Second Lien Obligations of any Series.

“Regulations” means the Income Tax Regulations (26 CFR Part 1) promulgated under and pursuant to the Code.

“Renewal and Replacement Fund” means the Renewal and Replacement Fund created by the First Lien Resolution.

“Required Work” means repairs, maintenance, renewals, replacements, improvements or betterments required by federal or state law, a licensing or regulatory agency with jurisdiction over the Project or any Construction Component, or a Project Use Agreement, or otherwise determined to be necessary by a majority of the Directors of the Board then holding office to keep the Project or any

Construction Component in good and efficient operating condition, consistent with (1) sound economics for the Project and the Financing Members and (2) standards for the industry.

“Reserve Requirement” means an amount equal to the lesser of (a) 10% of the outstanding principal amount of the Series 2002A Bonds, or (b) the maximum Annual Second Lien Debt Service payable on the Series 2002A Bonds for the current or any future Bond Year.

“Revenue Fund” means the Revenue Fund established by the First Lien Resolution.

“Revenues” means (i) all revenues, income, rents and receipts derived by the Agency from or attributable to the ownership and operation of the Project, including all Contract Revenues, and all revenues attributable to the Project or to the payment of the costs thereof received by the Agency under any contract for the processing, handling or disposal of waste or other service for the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the Project (including, to the extent provided in the First Lien Resolution with respect to the Self-Insurance Fund, amounts on deposit in such fund and required to be transferred to the Revenue Fund for such purpose), and (iii) interest income received on any moneys or securities held in all funds or accounts created pursuant to the Second Lien Master Resolution or the First Lien Resolution, except the Acquisition and Construction Fund, the Environmental Fund, the Residual Fund, the Operation and Maintenance Fund and the Rebate Fund; provided, however, that “revenues” shall not include the proceeds of grants, bequests or other non-recurring sources of funds.

“Rolling Meadows Transfer Station” means the Transfer Station located at 3851 Berdick Street in the City of Rolling Meadows, Illinois and constituting a part of the Project.

“Second Lien Master Resolution” means the resolution adopted by the Agency on June 19, 2002 entitled “Master Resolution Authorizing Second Lien Contract Revenue Obligations of the Solid Waste Agency of Northern Cook County,” as the same may be amended and supplemented by one or more Supplemental Resolutions.

“Second Lien Obligations” means (a) any of the bonds, notes or evidences of indebtedness issued by the Agency under and pursuant to the Second Lien Master Resolution, (b) any Section 208 Obligations and (c) any Section 209 Obligations.

“Second Lien Revenue Fund” means the fund created by the Second Lien Master Resolution.

“Second Lien Revenues” means (a) all sums, amounts, funds or moneys that, subject to any transfer then required under the provisions of the First Lien Resolution to make up deficiencies in the First Lien Debt Service Account or First Lien Debt Service Reserve Account, may be withdrawn from the Subordinated Indebtedness Fund for the payment of Subordinated Indebtedness (as defined in the First Lien Resolution) pursuant to the First Lien Resolution, (b) all Revenues held by the First Lien Trustee on the First Lien Defeasance Date, except (i) any moneys, securities and funds held by the First Lien Trustee for the payment of First Lien Bonds and (ii) any moneys held by the First Lien Trustee in the Self-Insurance Fund or the Rebate Fund pursuant to the First Lien Resolution, and (c) all Revenues to be derived from and after the First Lien Defeasance Date.

“Second Lien Trustee” means American National Bank and Trust Company of Chicago, as trustee hereunder, or its successor as such trustee hereafter appointed in the manner provided in the Second Lien Master Resolution.

“Second Lien Trustee’s Agent” means any agent designated as such by the Second Lien Trustee and at the time serving in that capacity.

“Section 208 Obligations” means any obligations incurred by the Agency to reimburse the Credit Providers of one or more Credit Facilities (including Qualified Reserve Account Credit Instruments) securing one or more Series of Second Lien Obligations as described in Section 208 of the Second Lien Master Resolution, whether such obligations are set forth in one or more reimbursement agreements entered into between the Agency and the Credit Provider, or in one or more notes or other evidences of indebtedness executed and delivered by the Agency pursuant thereto.

“Section 209 Obligations” means any obligations incurred by the Agency to any one or more Swap Providers pursuant to Section 209 of the Second Lien Master Resolution, including any fees or amounts payable by the Agency under each related Qualified Swap Agreement.

“Self-Insurance Fund” means the Self-Insurance Fund created by the First Lien Resolution.

“Series” means all of the Second Lien Obligations authenticated and delivered on original issuance pursuant to a Supplemental Resolution and designated as a Series therein, but, unless the context clearly indicates otherwise, shall not include Section 208 Obligations.

“Service Charges” means rates, fees and charges imposed by the Agency pursuant to the Act for all direct and indirect use and services of the Project.

“Short Rate” means a Flexible Rate, a Daily Rate or a Weekly Rate.

“Sinking Fund Payment” means:

(a) as of any particular date of determination and with respect to the outstanding First Lien Bonds of any series, the amount required by a Supplemental First Lien Resolution to be paid in any event by the Agency on a single future date for the retirement of First Lien Bonds of such series which mature after said future date, but does not include any amount payable by the Agency by reason only of the maturity of a First Lien Bond; and

(b) as of any particular date of determination and with respect to the Outstanding Second Lien Obligations of any Series or consisting of any Section 208 Obligation, the amount required by the Supplemental Resolution creating such Series or the instrument creating such Section 208 Obligation to be paid in any event by the Agency on a single future date for the retirement of such Second Lien Obligations which mature after said future date, but does not include any amount payable by the Agency by reason only of the maturity of a Second Lien Obligation.

“Subordinated Bonds” means any bonds, notes or evidences of indebtedness, including Second Lien Obligations, issued by the Agency as permitted by the First Lien Resolution and the provisions of the Second Lien Master Resolution summarized under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS – Covenant Against Other Pledges of Trust Estate.”

“Subordinated Indebtedness Fund” means the Subordinated Indebtedness Fund created by the First Lien Resolution and held by the First Lien Trustee.

“Supplemental First Lien Resolution” means a resolution supplemental to or amendatory of the First Lien Resolution.



“Supplemental Resolution” means a resolution supplemental to or amendatory of the Second Lien Master Resolution, adopted by the Agency in accordance with the provisions of the Second Lien Master Resolution.

“Swap Provider” means any person with which the Agency enters into a Qualified Swap Agreement.

“Trust Estate” means all rights, title and interest of the Agency in and to the Second Lien Revenues and the subordinate assignment of the Project Use Agreements and Customer Contracts provided for in the Second Lien Master Resolution.

“Waste” means waste that is permitted under the Illinois law and the Agency’s rules to be deposited into a Transfer Station.

“Weekly Mode” means an Interest Mode during which the rate of interest borne by the Bonds is determined on a weekly basis as set forth in the First Supplemental Resolution.

“Weekly Rate” means, for each Rate Period during any Weekly Mode, the rate of interest established pursuant to the First Supplemental Resolution equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such Series 2002A Bond to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Rate Change Date for such Rate Period.

“Wheeling Township Transfer Station” means the Transfer Station, including the flood control work and any buildings related thereto, constructed by the Agency northeast of the intersection of Central Road and Des Plaines River Road in Glenview, Illinois (and sometimes referred to herein as the Glenview Transfer Station) and constituting part of the Project.

## **SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN BOND RESOLUTION**

*The Second Lien Master Resolution and the First Supplemental Resolution each contain various covenants, security and deposit provisions, terms and conditions, certain of which are summarized below. Reference is hereby made to the Second Lien Master Resolution and the First Supplemental Resolution for a full and complete statement of their respective provisions. Because some provisions of the Second Lien Master Resolution may be changed by a Supplemental Resolution, reference is made to each such document, copies of which are available as described above, for a comprehensive understanding of the Second Lien Bond Resolution.*

### **Authorization of the Second Lien Bonds and Other Second Lien Obligations**

The Second Lien Master Resolution authorizes the issuance, from time to time, of Second Lien Obligations payable from Second Lien Revenues for the purpose of (a) the payment, or the reimbursement for the payment of, the Costs of Construction, (b) the refunding of any First Lien Bonds, Second Lien Obligations or other obligations issued to finance or refinance the Costs of Construction, or (c) the funding of any fund or account under the First Lien Resolution, or any fund or account as specified in the Second Lien Master Resolution or the Supplemental Resolution under which any Second Lien Obligations are issued; including, in each case, payment of Costs of Issuance. Second Lien Obligations consisting of Section 208 Obligations and Section 209 Obligations are also authorized to be incurred from time to time. Second Lien Obligations may be issued under a Supplemental Resolution entered into in accordance with the terms of the Second Lien Master Resolution, provided that, at the time of issuance of such Second Lien Obligations, certain conditions precedent are satisfied, including the receipt by the Second Lien Trustee of certain certificates and opinions of counsel relating to the validity of such Second Lien Obligations and the Supplemental Resolution, including:

(a) a Counsel's Opinion to the effect that (i) Annual Second Lien Debt Service on such Series is includable in Fixed Costs under each Project Use Agreement, and (ii) the Project Use Agreements then in force have been duly authorized, executed and delivered by the Agency, are in full force and effect and constitute valid and binding obligations of the Agency and the Financing Members, enforceable in accordance with their respective terms; provided, however, that (x) such Counsel's Opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization, or other laws affecting creditors' remedies generally and may state that no opinion is being rendered as to the availability of any particular remedy; and (y) may rely upon the separate certificates of each Financing Member as to the due authorization, execution and delivery by, the Financing Members of the Project Use Agreements; and

(b) in the case of Second Lien Obligation not issued for refunding purposes, an Independent Consultant's opinion, taking into account (i) Pro Forma Aggregate Debt Service for each Bond Year as of the time immediately following the issuance of such Series, (ii) the most recent audits of the Agency, its Financing Members and Customers, (iii) the schedule of Service Charges approved by the Agency, and (iv) the terms of the Project Use Agreements and any Customer Contracts, that the Revenues of the Agency are estimated to be adequate to meet the rate covenant provided under the Second Lien Master Resolution.

The Series 2002A Bonds will be Second Lien Obligations authorized and issued pursuant to the Second Lien Master Resolution.

The Agency reserves the right under the Second Lien Master Resolution to provide Credit Facilities (including Qualified Reserve Account Credit Instruments) to secure the payment of the principal of, premium, if any, and interest on one or more Series of Second Lien Obligations, or in the

event owners of such Second Lien Obligations have the right to require purchase thereof, to secure the payment of the purchase price of such Second Lien Obligations upon the demand of such owners. In connection with any such Credit Facility, the Agency may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Facility and the method by which the Agency will reimburse the Credit Provider for such drawings together with interest thereon at such rate or rates and as may be agreed upon by the Agency and Credit Provider. Any such obligation of the Agency to reimburse the Credit Provider will constitute a Section 208 Obligation and a Second Lien Obligation under the Second Lien Master Indenture to the same extent as any Series of Second Lien Obligations issued pursuant a Supplemental Resolution, and any and all amounts payable by the Agency to reimburse the Credit Provider, together with interest thereon, will for purposes of the Second Lien Master Resolution be deemed to constitute the payment of principal of, premium, if any, and interest on Second Lien Obligations.

The Agency also reserves the right under the Second Lien Master Resolution to enter into Qualified Swap Agreements requiring the Agency to pay a fixed interest rate on a notional amount, or requiring the Agency to pay a variable interest rate on a notional amount, and if the Agency has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for First Lien Bonds or Second Lien Obligations of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement and so long as the swap provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(i) for purposes of any calculation of Annual First Lien Debt Service or Annual Second Lien Debt Service, the interest rate on the First Lien Bonds or the Second Lien Obligations of such maturity or maturities will be determined as if such First Lien Bonds or Second Lien Obligations bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Agency under such Qualified Swap Agreement;

(ii) any net payments required to be made by the Agency to the swap provider pursuant to such Qualified Swap Agreement from Second Lien Revenues will be made on a parity with payments due on other Second Lien Obligations solely from amounts on deposit to the credit of the Second Lien Revenue Fund; and

(iii) any net payments received by the Agency from the swap provider pursuant to such Qualified Swap Agreement will be applied as directed in writing by the Agency.

If the Agency enters into a swap agreement that does not satisfy the requirements for qualification as a Qualified Swap Agreement as a result of its failure to make the determination described therein or otherwise, then:

(i) the interest rate adjustment or assumptions referred to in clause (i) of the preceding paragraph above will not be made;

(ii) any net payments required to be made by the Agency to the swap provider pursuant to such swap agreement from Second Lien Revenues will be made only from amounts available after the payment of all other Second Lien Obligations; and

(iii) any net payments received by the Agency from the swap provider pursuant to such swap agreement may be treated as Second Lien Revenues at the option of the Agency, and applied as directed in writing by the Agency.

## **Equality of Security and Parity**

Except as otherwise specifically provided in the Second Lien Master Resolution or a Supplemental Resolution, all Second Lien Obligations and Section 208 Obligations and Section 209 Obligations will be on a parity and rank equally without preference, priority or distinction over any other as to security, regardless of the time or times of their issue, and the provisions, covenants and agreements set forth in the Second Lien Master Resolution to be performed by and on behalf of the Agency will be for the equal benefit, protection and security of the owners of any and all Second Lien Obligations. The Agency covenants that it will not issue any obligations, payable from the Second Lien Revenues or, except as otherwise provided in the Second Lien Master Resolution and summarized under the caption “Covenant Against Other Pledge of Revenues,” any other moneys pledged under the Second Lien Master Resolution, nor voluntarily create or cause or permit to be created any debt, lien, pledge or assignment, having priority over or being on a parity with, the Second Lien Obligations

## **Source of Payment; Pledge of Second Lien Revenues**

The provisions of the Second Lien Master Resolution and any Supplemental Resolution constitute a contract among the Agency, the Second Lien Trustee and the owners of the Second Lien Obligations. The Second Lien Obligations are limited obligations of the Agency payable from Second Lien Revenues and certain other moneys and securities held by the Second Lien Trustee under the provisions of the Second Lien Master Resolution and any Supplemental Resolution, including, in the case of the Series 2002A Bonds, moneys deposited into the “Series 2002 Dedicated Sub-Fund” created pursuant to the Supplemental Resolution creating such Series. The Second Lien Obligations shall have no claim for payment other than from the revenues of the Agency derived from the operation of the Project, from revenues received from its Members and Customers (including, without limitation, from the Project Use Agreements), from bond or note proceeds, from such other receipts of the Agency as are permitted by the Agency Agreement, and from investment earnings on the foregoing. Second Lien Obligations shall not constitute any indebtedness of the Agency or of any Member within the meaning of any constitutional or statutory limitation.

## **Covenant Against Other Pledge of Revenues**

The Agency has covenanted in the Second Lien Master Resolution that it will not hereafter issue any bonds, notes or other evidences of indebtedness secured by the pledge contained in the Second Lien Master Resolution other than the Second Lien Obligations, and will not create or cause to be created any lien or charge on Revenues, or on any amounts pledged for the benefit of owners of Second Lien Obligations under the Second Lien Master Resolution, other than the pledge of Second Lien Revenues contained in the Second Lien Master Indenture and the pledge of Revenues contained in the First Lien Resolution; provided, however, that no provision of the Second Lien Master Resolution will prevent the City from (a) issuing First Lien Bonds to the extent permitted by the Second Lien Master Resolution (see the following caption), (b) issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge contained in the Second Lien Master Resolution will be discharged and satisfied, or (c) from issuing bonds, notes, or other evidences of indebtedness which are payable out of, or secured by, the pledge of amounts which may be withdrawn from the Second Lien Revenue Fund so long as such pledge is expressly junior and subordinate to the pledge contained in the Second Lien Master Resolution.

## **Limitations on Issuance of First Lien Bonds**

Under the Second Lien Master Resolution, the Agency agrees not to issue any First Lien Bonds, except to refund the First Lien Bonds then Outstanding. The Agency will not issue any First Lien Bonds if Aggregate First Lien Debt Service in any Bond Year would be increased as a result of such issuance.

## **Accounts and Reports**

The Agency shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Project and each fund and account established under the First Lien Resolution, the Second Lien Master Resolution or any Supplemental Resolution, including its costs and charges under the Project Use Agreements or otherwise related to the Project, and which, together with all Project Use Agreements and all other books and papers of the Agency, including insurance policies, relating to the Project, shall, upon reasonable advance notice and during regular business hours, be subject to the inspection of the Second Lien Trustee, any Credit Provider and the Owners of an aggregate of not less than 5% in principal amount of the Second Lien Obligations then Outstanding or their representatives duly authorized in writing.

The Agency shall annually, within 120 days after the close of each Fiscal Year, file with the Second Lien Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Certificate, prepared in accordance with generally accepted accounting principles, relating to the Project.

The reports, statements and other documents required to be furnished to the Second Lien Trustee shall be available for the inspection of Owners of the Second Lien Obligations and Credit Providers at the office of the Second Lien Trustee and shall be mailed to each such Owner or Credit Provider who shall file a written request therefore with the Agency. The Agency and the Second Lien Trustee may charge each such Owner for such reports, statements and other documents, a reasonable fee to cover reproduction, handling and postage.

The Agency shall file with the Second Lien Trustee forthwith upon becoming aware of any Event of Default or other event which, with the lapse of time specified in the Second Lien Master Resolution, would become an Event of Default, a written certificate of the Agency specifying such Event of Default or default.

## **Certain Other Management Covenants**

*Sale and Lease of Property.* No part of the Project shall be mortgaged or otherwise encumbered, unless the Second Lien Trustee obtains a superior lien position on behalf of the Owners of Second Lien Obligations, Section 208 Obligations and Section 209 Obligations, and consents to such mortgage.

The Agency may, however, sell or exchange at any time and from time to time any property or facilities constituting part of the Project, but only if (i) it shall determine that such property or facilities are not needed or useful in the operation of the Project, or (ii) the cost to the Agency of property or facilities sold or exchanged, less depreciation, is not more than five percent of the cost to the Agency of the property and facilities of the Project, less depreciation or (iii) the Agency files with the Second Lien Trustee a certificate of an Independent Consultant stating that, in the opinion of the Independent Consultant the sale or exchange of such property or facilities will not impair the ability of the Agency to comply during the current or any future Fiscal Year with the rate covenant under the Second Lien Master Resolution and (iv) the Agency files with the Second Lien Trustee a Bond Counsel's Opinion to the effect that such sale or exchange will not by itself cause interest on any Series of Second Lien Obligations to become subject to federal income taxation. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of the Project shall forthwith be deposited into the Revenue Fund; provided, however, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Second Lien Master Resolution.

The Agency may also lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the Project, provided that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by the Agency or its agents of the Project and (ii) does not materially adversely affect the rights or security of the Owners of Second Lien Obligations or the Credit Provider. Any payments received by the Agency under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the Project or any part thereof shall constitute Revenues.

The Agency may at any time sell or otherwise dispose of any part of its ownership interest in any facility jointly owned by the Agency and others if and to the extent required by or pursuant to the terms of the ownership agreement pursuant to which the Agency acquired its ownership interest in such facility.

The Agency may permanently discontinue the acquisition or construction of any portion of the Project.

The Board shall not make any determination, that any properties or interests in properties do not constitute a part of the Project for the purposes of the Second Lien Master Resolution unless either (1) such determination is made prior to the acquisition of such properties or interest in properties or (2) such determination is made in accordance with the Second Lien Master Resolution.

*Project Budget.* For each Fiscal Year, the Agency shall prepare and adopt a budget for the Project for the next ensuing Fiscal Year and shall file it with the Second Lien Trustee within 30 days of adoption. Such Project Budget also shall set forth such detail with respect to such Revenues, Operation and Maintenance Expenses and other expenditures and such deposits, and shall be necessary or appropriate so as to comply with the Project Use Agreements and may set forth such additional material as the Agency may determine. Following the end of each quarter of each Fiscal Year the Agency shall review its estimates set forth in the Project Budget for such Fiscal Year, and in the event such estimates do not substantially correspond with actual Revenues, Operation and Maintenance Expenses or other requirements, or if there are at any time during any such Fiscal Year extraordinary receipts or payments of unusual Operation and Maintenance Expenses, the Agency shall adopt and file with the Second Lien Trustee an amended Project Budget for the remainder of such Fiscal Year. The Agency also may at any time adopt and file with the Second Lien Trustee an amended Project Budget for the remainder of the then current Fiscal Year. Such budget and any amendments thereof shall be promptly delivered to the Independent Consultant and the Second Lien Trustee. If necessary, pursuant to procedures established in the Project Use Agreements, the Agency shall promptly increase rates if and when any such increase is required in order to produce budgeted anticipated Revenues, or to comply with the requirements of the rate covenant in the Second Lien Master Resolution.

*Operation and Maintenance of Project.* The Agency shall at all times use its best efforts to operate or cause to be operated the Project properly and in an efficient and economical manner, consistent with prudent waste disposal practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project may be properly and advantageously conducted.

*Maintenance of Insurance.* Subject in each case to the conditions that similar insurance is usually carried by municipal entities constructing and operating municipal solid waste handling and disposal facilities of the nature of the Project and that such insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

The Agency shall at all times use its best efforts to keep or cause to be kept the properties of the Project which are of an insurable nature and of the character usually insured by those operating properties similar to the Project insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. The Agency shall at all times use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the Project.

If, in any Fiscal Year, there shall have been damaged or destroyed property or facilities constituting part of the Project, the value of which equals or exceeds five percent of the cost to the Agency of the property and facilities of the Project, less depreciation, the Agency shall file with the Second Lien Trustee, within 120 days after the close of such Fiscal Year, a certificate of the Agency setting forth the amount of insurance proceeds, including the proceeds of the Self-Insurance Fund, covering such loss or damage and specifying the Agency's reasonable and necessary costs of reconstruction or replacement thereof.

*Reconstruction; Application of Insurance Proceeds.* If any useful portion of the Project shall be damaged or destroyed, the Agency shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless there shall be filed with the Second Lien Trustee a certificate of the Agency setting forth a determination by the Agency that, taking into account all relevant facts and circumstances, including, if and to the extent the Agency deems appropriate, the advice of the Independent Consultant as to financing matters, its attorneys as to legal matters and other consultant and advisors, such reconstruction or replacement is not in the interests of the Agency, the Owners of the Second Lien Obligations and the Credit Providers or unless it is determined under the provisions of any agreement relating to the co-ownership of such portion of the Project by the Agency and others that such reconstruction or replacement is not to be undertaken.

The proceeds of any insurance, including the proceeds of the Self-Insurance Fund, paid on account of such damage or destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Acquisition and Construction Fund pursuant to the provisions of the First Lien Resolution), unless held and applied under any such agreement, shall be held by the Agency in a special account and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by the Agency (a) if prior to the First Lien Defeasance Date, as permitted by the First Lien Resolution and (b) if on or after the First Lien Defeasance Date in Qualified Investments which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement or may be invested as otherwise provided for under any such agreement. Interest earned on such investments shall be deposited in the Revenue Fund unless otherwise required under any such agreement.

The proceeds of any insurance, including the proceeds of the Self-Insurance Fund, not applied within 36 months after receipt thereof by the Agency to repairing or replacing damaged or destroyed property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged or destroyed shall not have been given to the Second Lien Trustee by the Agency within such 36 months, or which the Agency shall at any time notify the Second Lien Trustee are not to be so applied, shall be deposited in the Revenue Fund unless otherwise applied or to be applied in accordance with any such agreement; provided, however, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Second Lien Master Resolution.

Notwithstanding the foregoing, in the event that payments are made from the Renewal and Replacement Fund for any such repairing or replacing of property damaged or destroyed prior to the

availability of insurance proceeds, including the proceeds of the Self-Insurance Fund, therefor, such insurance proceeds when received shall be deposited into the Renewal and Replacement Fund to the extent of such payments therefrom.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

*Eminent Domain.* If all or any part of the Project shall be taken by eminent domain proceedings or conveyance in lieu thereof, the net proceeds realized by the Agency therefrom and available after the First Lien Defeasance Date shall be deposited with the Second Lien Trustee in a special fund in trust and shall be applied and disbursed by the Second Lien Trustee subject to the following conditions:

(a) If such funds (together with other available moneys held under the Second Lien Master Resolution) are sufficient to provide for the payment of the entire amount of principal due or to become due upon all of the Outstanding Second Lien Obligations and Outstanding Section 208 Obligations, together with all of the interest due or to become due thereon and any redemption premiums thereon, so as to enable the Agency to retire all of the Second Lien Obligations then Outstanding, either by call and redemption at the then current Redemption Prices or by payment at maturity or partly by redemption prior to maturity and partly by payment at maturity, and to pay all Section 208 Obligations, the Second Lien Trustee shall apply such moneys to such retirement or payment, as appropriate, and to the payment of such interest. Pending the application of such proceeds for such purpose, such moneys shall be invested by the Second Lien Trustee in Defeasance Obligations. The balance of such moneys, if any, shall be transferred to the Agency.

(b) If such proceeds are insufficient to provide the moneys required for the purposes set forth in paragraph (a) above, the Agency shall file with the Second Lien Trustee a certificate of the Agency requesting the Second Lien Trustee to apply such proceeds for one of the following purposes:

(1) If such certificate requests the Second Lien Trustee to apply such proceeds to the purchase, redemption or retirement of Second Lien Obligations, the Second Lien Trustee shall apply such proceeds to the purchase, redemption or retirement of the Second Lien Obligations then Outstanding and Section 208 Obligations then outstanding. If more than one Series of Second Lien Obligations is then Outstanding, such proceeds shall be applied pro rata among each such Series to the purchase, redemption or retirement of the Second Lien Obligations of each such Series and the payment of Section 208 Obligations in the proportion which the principal amount of the Second Lien Obligations of each such Series then Outstanding and Section 208 Obligations then outstanding bears to the aggregate principal amount of all Second Lien Obligations then Outstanding and Section 208 Obligations then outstanding. Pending the application of such proceeds for such purpose, such moneys shall be invested by the Second Lien Trustee as contemplated in (a) above under this heading.

(2) If such certificate requests the Second Lien Trustee to deliver such proceeds to the Agency to apply to the cost of additions, improvements or extensions to the Project, the Agency shall also file with the Second Lien Trustee a Certificate of an Independent Consultant showing the loss in annual Revenues, if any, suffered, or to be suffered, by the Agency by reason of such eminent domain proceedings, together with a general description of the additions, betterments, extensions or improvements to the Project then proposed to be acquired by the Agency from such proceeds. If, in the opinion of the Agency (evidenced by a certificate of the Agency), which shall be final,



the additional Revenues to be derived from such additions, betterments, extensions or improvements will sufficiently offset the loss of Revenues resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations hereunder will not be substantially impaired, the Second Lien Trustee shall pay such proceeds to the Agency. The Agency, in reaching such determination, may rely upon the certificate of the Independent Consultant. The Agency shall hold such proceeds in trust and apply them to the acquisition of the additions, improvements or extensions substantially in accordance with the certificate of the Independent Consultant. The Agency shall acquire such additions or improvements in a sound and economic manner and as expeditiously as is practicable. Any balance of such proceeds not required by the Agency for such additions, improvements or extensions shall be deposited into the Revenue Fund.

(3) If such certificate requests the Second Lien Trustee to deposit such proceeds into the Revenue Fund upon the basis that such eminent domain proceedings have had no effect, or at the most a relatively immaterial effect, upon the security of the Second Lien Obligations, the Agency shall also file with the Second Lien Trustee a certificate of an Independent Consultant stating that such eminent domain proceedings have not substantially impaired or affected the operation of the Project or the ability of the Agency to meet all of its obligations hereunder with respect to the payment of the Second Lien Obligations and the Section 208 Obligations. Upon receipt of such certificate and such certificate of an Independent Consultant, the Second Lien Trustee shall deposit such proceeds into the Revenue Fund.

*Restraint on Competing Facilities.* The Agency shall not create, nor permit the operation of, a waste system or facility which competes with the Project by transferring and disposing of Financing Member System Waste; provided, however, that the Agency may allow such a competing facility, if: (1) the Agency determines that it is not able to economically handle, treat or dispose of the additional waste, or (2) the Project is fully utilized and the Agency is not able to accommodate additional waste.

### **Payment of Debt Service on the Series 2002A Bonds and Related Section 208 and Section 209 Obligations**

Subject to the provisions of the First Lien Resolution, the Agency agrees to establish and maintain a Revenue Fund for the administration of Revenues. The Second Lien Trustee shall not be responsible for the administration of the Revenue Fund when such funds are held and maintained by the Agency or the First Lien Trustee.

On any date required by the provisions of a Supplemental Resolution creating a Series of Second Lien Obligations or by an instrument creating Section 208 Obligations or Section 209 Obligations, the Second Lien Trustee shall segregate within the Second Lien Revenue Fund, and credit to such sub-funds, accounts and sub-accounts therein as have been created for the benefit of such Series and such Section 208 Obligations or Section 209 Obligations, such amounts as may be required to be so credited under the provisions of such Supplemental Indenture or other instrument to pay principal of and interest on such Second Lien Obligations or to make other withdrawals or deposits required by such Supplemental Resolution or other instrument.

Any moneys in the Second Lien Revenue Fund in excess of the amounts required to be disbursed, as provided in the preceding paragraph, may be withdrawn by the Agency, free from the lien of the Second Lien Master Resolution.

The First Supplemental Resolution creates and establishes with the Second Lien Trustee a separate and segregated sub-fund within the Second Lien Revenue Fund, which sub-fund is to be designated the "Solid Waste Agency of Northern Cook County Series 2002A Second Lien Bonds

Dedicated Sub-Fund” (hereinafter called the “Series 2002A Dedicated Sub-Fund”). Moneys on deposit in the Series 2002A Dedicated Sub-Fund, and in each account established therein are to be held in trust by the Second Lien Trustee for the sole and exclusive benefit of the registered owners of the Series 2002A Bonds.

The First Supplemental Resolution creates within the Series 2002A Dedicated Sub-Fund the following separate accounts: (a) the Solid Waste Agency of Northern Cook County Series 2002A Costs of Issuance Account (the “Costs of Issuance Account”); (b) Solid Waste Agency of Northern Cook County Series 2002A Principal and Interest Account (the “Principal and Interest Account”); (c) Solid Waste Agency of Northern Cook County Series 2002A Letter of Credit Account (the “Letter of Credit Account”); and (d) Solid Waste Agency of Northern Cook County Series 2002A Debt Service Reserve Account (the “Debt Service Reserve Account”).

On the first Business Day of each month (each such date referred to as the “Deposit Date”) there shall be deposited into the Series 2002A Dedicated Sub-Fund from amounts on deposit in the Second Lien Revenue Fund an amount equal to the aggregate of the following amounts (such aggregate amount with respect to any Deposit Date being referred to as the “Series 2002A Deposit Requirement”):

(a) for deposit into the Principal and Interest Account, the amount required so that the sum then held in the Principal and Interest Account will equal the Principal and Interest Account Requirement;

(b) for deposit into the Principal and Interest Account, any additional amount estimated by the Agency to be required as of the close of business on the related Deposit Date (i) to pay any additional principal or interest on the Bank Obligation during the monthly period commencing on such related Deposit Date and (ii) to pay any additional amounts due on a Section 209 Obligation during the monthly period commencing on such Deposit Date;

(c) commencing on the first Deposit Date following any draw of moneys under a Qualified Reserve Account Credit Instrument that must be repaid, any amount specified by the Agency in a certificate filed with the Second Lien Trustee prior to such first Deposit Date, which certificate shall specify the monthly deposit amounts to be made pursuant to this clause (c) in order to fully restore the coverage of the Qualified Reserve Account Credit Instrument within one year of the date of the initial draw thereunder; and

(d) for deposit into the Debt Service Reserve Account, the amount, if any, required as of such Deposit Date to restore the Debt Service Reserve Account to an amount equal to the Reserve Requirement.

In addition to the Series 2002A Deposit Requirement, there will be deposited into the Series 2002A Dedicated Sub-Fund any other moneys received by the Second Lien Trustee under and pursuant to the Second Lien Master Resolution or the First Supplemental Resolution, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2002A Dedicated Sub-Fund and to one or more accounts therein.

Upon calculation by the Second Lien Trustee of such Series 2002A Deposit Requirement, the Second Lien Trustee will notify the Agency of the Series 2002A Deposit Requirement and the Deposit Date to which it relates together with such supporting documentation and calculations as the Agency may reasonably request.

Moneys in the Principal and Interest Account will be used solely for the payment of the principal of, premium, if any, and interest on the Series 2002A Bonds and for the redemption of the Series 2002A Bonds prior to maturity. Moneys in the Debt Service Reserve Account will be used solely for the

payment of the principal of, premium, if any, and interest on the Series 2002A Bonds, without preference or priority of any kind. Moneys deposited into the Costs of Issuance Account will be used solely for the payment of the Costs of Issuance of the Series 2002A Bonds as directed in a certificate filed with the Second Lien Trustee.

## **Investments**

All moneys held in any fund or account established and created under the Second Lien Bond Resolution shall be invested in Qualified Investments upon the oral direction of an authorized officer of the Agency, or his or her designated representative.

Qualified Investments in which moneys held in any fund or account have been invested shall mature not later than the respective dates as estimated by the Agency, when the moneys held for the credit of any fund or account will be needed.

In computing the amount in any fund or account, obligations maturing within the three year period next succeeding the date of computation shall be valued at amortized value, and obligations maturing more than three years following the date of computation shall be valued at the lower of amortized value or market value; provided that investment agreements described in clause (i) of the definition of "Qualified Investments" shall be valued at amortized value.

For purposes of the Second Lien Bond Resolution amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made on each April 15 and October 15, or if such day is not a business day of the Second Lien Trustee then on the business day of the Second Lien Trustee immediately preceding such April 15 or October 15, and at any other time required hereunder or under any Supplemental Resolution, and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

## **Supplemental Resolutions**

A supplemental resolution may be adopted by the Board at any time which, upon the filing with the Second Lien Trustee of a copy thereof, will be fully effective in accordance with its terms for the following purposes:

(a) to close the Second Lien Master Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Second Lien Master Resolution on, the issuance of Second Lien Obligations or other evidences of indebtedness;

(b) to add to the covenants and agreements of the Agency in the Second Lien Master Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Second Lien Master Resolution as therefore in effect;

(c) to add to the limitation and restrictions in the Second Lien Master Resolution other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Second Lien Master Resolution as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Second Lien Master Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Second Lien Master Resolution;

(e) to create a Series of Second Lien Obligations and, in connection therewith, to specify and determine the matters and things referred to in Article II of the Second Lien Master Resolution and also any other matters and things relative to such Second Lien Obligations which are not contrary to or inconsistent with the Second Lien Master Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance of such Second Lien Obligations;

(f) to confirm, as further assurance, the pledge under the Second Lien Master Resolution, and the subjection of, additional properties, Revenues or other collateral to any lien, claim or pledge created or to be created by the Second Lien Master Resolution; and

(g) to modify any of the provisions of the Second Lien Master Resolution in any respect whatever, provided that the modification will be, and be expressed to be, effective only after all Second Lien Obligations Outstanding at the date of the execution and delivery of such Supplemental Resolution will cease to be Outstanding.

A supplemental resolution may be adopted by the Board and will be fully effective upon the consent of the Second Lien Trustee for the following purposes: to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Second Lien Master Resolution; or to insert such provisions clarifying matters or questions arising under the Second Lien Master Resolution as are necessary or desirable and are not contrary to or inconsistent with the Second Lien Master Resolution as theretofore in effect; or to make any change that does not materially adversely affect the rights of any Owner of Second Lien Obligations; or to provide additional duties of the Second Lien Trustee under the Second Lien Master Resolution. Any other modification or amendment of the Second Lien Master Resolution may be made by a supplemental resolution adopted by the Board, with the written consent given as provided in the Second Lien Master Resolution:

(a) of the owners of a majority in principal amount of the Second Lien Obligations outstanding at the time such consent is given;

(b) in case less than all of the several series of then outstanding Second Lien Obligations are affected by the modification or amendment, of the owners of a majority in principal amount of the then outstanding Second Lien Obligations of each series so affected; and

(c) in case any Section 208 Obligations or Section 209 Obligations are affected by the modification or amendment, of the owners of the Section 208 Obligations or Section 209 Obligations so affected;

except that if the modification or amendment will, by its terms, not take effect so long as any Second Lien Obligations of any specified series and maturity or any specified Section 208 or Section 209 Obligations remain outstanding, the consent of the owners of such Second Lien Obligations shall not be required nor shall such Second Lien Obligations be deemed outstanding for purposes of any calculation under this caption.

No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Second Lien Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or in the terms of purchase or the purchase price thereof, without the consent of the owner of

such Second Lien Obligation, or shall reduce the percentages or otherwise affect the classes of Second Lien Obligations the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Second Lien Trustee or any paying agent with respect to the Second Lien Obligations without its written assent thereto.

### **Default and Remedies**

Each of the following events constitutes an Event of Default under the Second Lien Master Resolution and the First Supplemental Resolution:

(a) payment of the principal or Redemption Price, if any, of any Second Lien Obligation shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(b) payment of any installment of interest on any Second Lien Obligation shall not be made when the same shall become due; or

(c) the Agency shall fail or refuse to comply with the provisions of the Second Lien Master Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in the Second Lien Obligations, which materially affects the rights of the owners of the Second Lien Obligations, and such failure, refusal or default continues for a period of 45 days after written notice thereof by the Second Lien Trustee or the owners of not less than 25 percent in principal amount of the outstanding Second Lien Obligations; provided, however, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45 day period, the time to cure will be extended for such period as may be necessary to remedy the default with all due diligence; or

(d) default in the due and punctual payment of the purchase price of any Tendered Bonds; or

(e) receipt by the Second Lien Trustee of notice from the Bank that an Event of Default has occurred under the Credit Agreement and the Letter of Credit is being terminated.

Upon the happening and continuance of any event of default specified in paragraph (a), (b), (d) or (e) above, the Second Lien Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c) above (and as specified in any Supplemental Indenture with respect to additional events of default described thereunder), the Second Lien Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the outstanding Second Lien Obligations, shall proceed, in its own name to protect and enforce its rights and the rights of the owners of the Second Lien Obligations by such of the following remedies or any additional remedies specified in one or more Supplemental Indentures with respect to a particular series as the Second Lien Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Second Lien Obligations, including the right to require the City to carry out any other covenant or agreement with the owners of the Second Lien Obligations and to perform its duties under the Second Lien Master Indenture;

(b) by bringing suit upon the Second Lien Obligations;

(c) by action or suit in equity, require the Agency to account as if it were the trustee of an express trust for the owners of the Second Lien Obligations; or

(d) 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 Second Lien Obligations.

In the enforcement of any rights and remedies under the Second Lien Master Resolution, the Second Lien Trustee will 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 Agency but only out of moneys pledged as security for the Second Lien Obligations for principal, Redemption Price, interest or otherwise, under any provision of the Second Lien Master Resolution or any Supplemental Resolution or of the Second Lien Obligations, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Second Lien Obligations, together with any and all costs and expenses of collection and all proceedings under the Second Lien Master Resolution and under such Second Lien Obligations without prejudice to any other right or remedy of the Second Lien Trustee or of the owners of the Second Lien Obligations, and to recover and enforce a judgment or decree against the Agency for any portion of such amounts remaining unpaid with interest, costs and expenses, and to collect from any moneys available under the Second Lien Master Resolution for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Except upon the happening of an Event of Default under clause (a) or clause (b) of the first paragraph under this caption, the Second Lien Trustee shall not be deemed to have notice of any default under the Second Lien Master Resolution unless it has received written notice thereof from (i) the Agency, any Credit Provider or Bond Insurer, (ii) the owners of not less than 25 percent in principal amount of the then Outstanding Second Lien Obligations or (iii) the Second Lien Trustee has actual knowledge of such default.

#### **Priority of Payments After Default**

In the event that upon the happening and continuance of any Event of Default, the moneys held by the Second Lien Trustee shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Second Lien Obligations, such moneys (other than moneys held for the payment or redemption of particular Second Lien Obligations which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Second Lien Trustee acting pursuant to the default provisions of the Second Lien Master Resolution, after making provision for the payment of any expenses necessary in the opinion of the Second Lien Trustee to protect the interests of the owners of the Second Lien Obligations and for the payment of the fees, charges and expenses and liabilities incurred and advances made by the Second Lien Trustee in the performance of its duties under the Second Lien Master Resolution, shall, except as otherwise provided with respect to moneys held for the exclusive benefit of Second Lien Obligations of a particular Series or particular Section 208 Obligations or Section 209 Obligations under the provisions of a Supplemental Resolution, be applied as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Second Lien Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates with interest on such Second Lien Obligations from the respective dates upon which such principal or Redemption Price became due at the rate borne by the Second Lien Obligations and, if the amounts available shall not be sufficient to pay in full all the Second Lien Obligations due on any date, then to the

payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Second Lien Trustee pursuant to the provisions summarized under this caption, such moneys shall be applied by the Second Lien Trustee at such times, and from time to time, as the Second Lien Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The deposit of such moneys with the Second Lien Trustee, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Second Lien Trustee and the Second Lien Trustee shall incur no liability whatsoever to the Agency, to the owner of any Second Lien Obligation or to any other person for any delay in applying any such moneys, so long as the Second Lien Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Second Lien Master Indenture as may be applicable at the time of application by the Second Lien Trustee. Whenever the Second Lien Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be a Payment Date unless the Second Lien Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Second Lien Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Second Lien Trustee shall not be required to make payment to the owner of any unpaid Second Lien Obligation unless such Second Lien Obligation shall be presented to the Second Lien Trustee for appropriate endorsement or for cancellation if fully paid.

### **Limitations on Rights of Owners**

No owner of any Second Lien Obligation will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Second Lien Master Indenture, or for the protection or enforcement of any right of remedy under the Second Lien Master Indenture or any right under law unless such owner will have given to the Second Lien Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 25 percent in principal amount of the Second Lien Obligations then outstanding will have made written request of the Second Lien Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Second Lien Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Second Lien Master Indenture or granted under law or to institute such action, suit or proceeding in its name and unless, also, there will have been offered to the Second Lien Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Second Lien Trustee has refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are in the Second Lien Master Resolution declared in every such case (except with respect to the enforcement of any Credit Facility securing the Second Lien Obligations), at the option of the Second Lien Trustee, to be conditions precedent to the execution of the powers under the Second Lien Master Resolution or for any other remedy under the Second Lien Master Resolution or under law.

### **Defeasance**

If the Agency pays or causes to be paid to the owners of all Second Lien Obligations, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein, in the Second Lien Master Resolution and in the instruments creating Section 208 Obligations and Section 209 Obligations, then the pledge of Second Lien Revenues provided by the Second Lien Master Resolution and all other rights granted thereby will be discharged and satisfied.

Second Lien Obligations will be deemed to have been paid if:

(a) in case any such Second Lien Obligations are to be redeemed prior to their maturity, there has been taken all action necessary to call such Second Lien Obligations for redemption and notice of such redemption has been duly given or provision satisfactory to the Second Lien Trustee shall have been made for the giving of such notice;

(b) there has been deposited with the Second Lien Trustee either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due (without reinvestment thereof) will provide moneys which, together with the moneys, if any, on deposit with the Second Lien Trustee at the same time, will be sufficient, to pay when due the principal and redemption price, if applicable, and interest due and to become due on said Second Lien Obligations prior to the redemption date or maturity date thereof, as the case may be; and

(c) in the event said Second Lien Obligations are not by their terms subject to redemption within the next succeeding 45 days, the Agency has given the Second Lien Trustee, in form satisfactory to it, irrevocable instructions to mail, as soon as practicable, a notice to the owners of such Second Lien Obligations that the deposit required by clause (b) above has been made with the Second Lien Trustee and that said Second Lien Obligations are deemed to have been paid as described in this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of, and accrued interest on, said Second Lien Obligations. Except as provided in the last paragraph under this heading, neither the Defeasance Obligations or any money so deposited with the Second Lien Trustee nor any moneys received by the Second Lien Trustee on account of principal of or interest on said Defeasance Obligations will be withdrawn or used for any purpose other than, and all such moneys will be held in trust for and be applied to, the payment when due, of the principal or Redemption Price of the Second Lien Obligations for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption.

In the event that the principal of and interest on any Insured Obligation will be paid by the Bond Insurer pursuant to the terms of the Bond Insurance Policy for such Insured Obligation, such Insured Obligation will remain outstanding for all purposes, shall not be deemed to be defeased or otherwise satisfied and will not be considered paid by the Agency and the pledge of the Trust Estate and all other covenants agreements and other obligations of the Agency to the owner of such Insured Obligation will continue to exist and the Bond Insurer will be fully subrogated to the rights of such owner.

Defeasance Obligations and moneys held for defeasance of Second Lien Obligations may be withdrawn by the Agency provided that there is substituted in place of such Defeasance Obligations and moneys other Defeasance Obligations and moneys sufficient for the purposes described under this heading, and, provided further that, prior to such substitution there is filed with the Second Lien Trustee (i) a verification report signed by an Independent Accountant that the Defeasance Obligations and moneys, as substituted, are sufficient to pay the principal and Redemption Price of, and interest on, all Second Lien Obligations with respect to which provision for payment was made by deposit of such substituted Defeasance Obligations pursuant to the provisions above and (ii) in opinion of Bond Counsel to the effect that such substitution has been duly authorized in accordance with the Second Lien Master Indenture and will not effect adversely the tax-exempt status of any Second Lien Obligations previously authenticated and delivered under the Second Lien Master Resolution.



## **Rights of Bond Insurers Under Second Lien Master Resolution**

Subject to the provisions of the next paragraph, the rights of the owner of any Insured Obligation to take any action pursuant to the provisions of the Second Lien Master Resolution relating to the approval and delivery of Supplemental Indentures, amendments to the Second Lien Indenture (other than certain amendments requiring the consent of each affected owner or the consent of the Second Lien Trustee) and defaults and remedies are abrogated and the Bond Insurer shall be deemed to be the sole owner of any Insured Obligation that is insured under the Bond Insurance Policy issued by such Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose pursuant to any of those provisions.

All rights of any Bond Insurer under the preceding paragraph and any provisions of the Second Lien Master Resolution relating to Supplemental Resolutions, amendments and defaults and remedies or any Supplemental Resolution shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

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**APPENDIX D**  
**FORM OF OPINION OF BOND COUNSEL**

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## APPENDIX D

### FORM OF OPINION OF BOND COUNSEL

July 9, 2002

The Board of Directors of  
the Solid Waste Agency  
of Northern Cook County

Dear Members:

We have examined a record of proceedings relating to the issuance of \$24,100,000 aggregate principal amount of Second Lien Contract Revenue Bonds, Series 2002A (the “*Bonds*”) of the Solid Waste Agency of Northern Cook County (the “*Agency*”). The Bonds are authorized and issued under and pursuant to Section 10 of Article VII of the Illinois Constitution of 1970, Section 3.2 of the Intergovernmental Cooperation Act, 5 Illinois Compiled Statutes 220 (the “*Act*”) and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of a resolution adopted by the Board of Directors of the Agency on June 19, 2002 and entitled: “Master Resolution Authorizing Second Lien Contract Revenue Obligations of the Solid Waste Agency of Northern Cook County” (the “*Second Lien Master Resolution*”) as supplemented by a resolution adopted by said Board of Directors on June 19, 2002 and entitled: “First Supplemental Resolution Authorizing Second Lien Contract Revenue Bonds, Series 2002A, of the Solid Waste Agency of Northern Cook County (the “*Supplemental Resolution*” and, together with the Second Lien Master Resolution, the “*Second Lien Resolution*”).

The Bonds are a Subordinated Indebtedness of the Agency permitted to be issued under Resolution Number 1992-2, adopted by the Board of Directors of the Agency on April 8, 1992 and entitled: “A Master Resolution of the Solid Waste Agency of Northern Cook County Authorizing the Issuance of One or More Series of Contract Revenue Bonds and Providing the Terms of and Security for Repayment of Such Bonds”, as amended (the “*First Lien Master Resolution*”), and also constitute Second Lien Obligations authorized under the Second Lien Master Resolution, and are payable from and secured by a pledge of Second Lien Revenues as, and to the extent, provided in the Second Lien Master Resolution.

Under the terms of the First Lien Master Resolution, the Agency has previously issued First Lien Bonds, which are presently outstanding, and the Agency may by supplemental resolution hereafter authorize and issue additional First Lien Bonds for refunding purposes but only upon the terms and conditions prescribed in the First Lien Master Resolution and the Second Lien Master Resolution. First Lien Bonds are entitled to the benefit and security of the First Lien Master Resolution, including the pledge of Revenues (as defined in the First Lien Master Resolution) and other funds maintained for the benefit of the First Lien Bonds. The Bonds are junior in right of payment and security to the First Lien Bonds as, and to the extent, provided in the First Lien Master Resolution and the Second Lien Master Resolution.

The Members of the Agency that have entered into a Project Use Agreement relating to the Project (which is presently in effect) are the Villages of Arlington Heights, Barrington, Buffalo Grove, Elk Grove Village, Glencoe, Glenview, Hoffman Estates, Inverness, Kenilworth, Lincolnwood, Morton

Grove, Mount Prospect, Niles, Palatine, Skokie, South Barrington, Wheeling, Wilmette, and Winnetka and the Cities of Evanston, Park Ridge, Prospect Heights, and Rolling Meadows (collectively, the “*Financing Members*”). With regard to the Project Use Agreements, we have examined a record of proceedings relating to the authorization, execution and delivery thereof by the Agency and each Financing Member. Terms not defined in this opinion have the meanings set forth in the Second Lien Resolution and each Project Use Agreement.

Pursuant to the Project Use Agreements, each Financing Member has agreed to pay its allocable share of the cost of the Project. The Agency has assigned its rights to receive payments under the Project Use Agreements to American National Bank and Trust Company of Chicago, as trustee under the Second Lien Master Indenture (the “*Second Lien Trustee*”) for the benefit of the owners of the Bonds. Such assignment is junior and subordinate to the prior assignment of such payments to the trustee under the First Lien Master Resolution for the benefit of the owners of the First Lien Bonds.

The Bonds mature on May 1, 2015, and bear interest at a Daily Rate, Weekly Rate, a Flexible Rate, an Adjustable Long Rate or a Fixed Rate from time to time under the terms and conditions contained in the Supplemental Resolution. The Bonds are issued only as registered bonds without coupons in the authorized denominations referred to in the Supplemental Resolution. The Bonds are subject to optional and mandatory purchase and to redemption prior to maturity at the times, in the manner and upon the terms set forth in the Supplemental Resolution.

Based upon our examination of the foregoing, we are of the opinion that:

1. The Agency is a municipal corporation and a body politic and corporate duly organized and existing under the Act. The Agency has all requisite power and authority under the Constitution and the laws of the State of Illinois and the First Lien Master Resolution to adopt the Second Lien Master Resolution and the Supplemental Resolution and to issue the Bonds thereunder.
2. The Second Lien Master Resolution and the Supplemental Resolution have been duly adopted by the Agency, are in full force and effect, constitute valid and binding obligations of the Agency and are legally enforceable in accordance with their terms.
3. The Bonds have been duly authorized and issued, are the legal, valid and binding special and limited obligations of the Agency, are entitled to the benefits and security of the Second Lien Master Resolution and the Supplemental Resolution, and are enforceable in accordance with their terms. The Bonds are “Agency Obligations” within the meaning ascribed to that term in each Project Use Agreement.
4. The Bonds are payable, on a parity basis with any Section 208 Obligations relating to the Bonds, solely from the Second Lien Revenues deposited in the Series 2002A Dedicated Sub-Fund maintained by the Second Lien Trustee under the Second Lien Resolution, the Letter of Credit, if then in effect, and certain other amounts as provided in the Second Lien Master Resolution.
5. The Second Lien Master Resolution and the Supplemental Resolution create the valid and binding assignments and pledges that they purport to create of the amounts assigned and pledged to the Second Lien Trustee under the Second Lien Master Resolution and the Supplemental Resolution.
6. Each Project Use Agreement is in full force and effect, has been duly authorized, executed and delivered by the Agency and the respective Financing Member and constitutes a

valid and legally binding agreement of the respective Financing Member and of the Agency, enforceable in accordance with its terms.

7. The obligations of each Financing Member under its respective Project Use Agreement including, without limitation, its obligation to make its payment without set-off or counterclaim, irrespective of whether the Project or any Component is ever completed, made available, interrupted or delayed, is, with respect to each such Financing Member, a valid and legally binding special and limited obligation of the respective Financing Member in accordance with its terms and is payable from the revenues of the Financing Member's Waste System. Such Financing Member is not obligated to levy a tax to pay its obligations under its Project Use Agreement.

8. If Revenues are insufficient, the Agency may impose a Deficiency Charge upon the Financing Members under the terms of the Project Use Agreements. Any Deficiency Charge imposed upon the Villages of Arlington Heights, Buffalo Grove, Elk Grove Village, Glenview, Hoffman Estates, Morton Grove, Mount Prospect, Niles, Palatine, Skokie, South Barrington, Wheeling, or Wilmette or upon the Cities of Evanston, Park Ridge, or Rolling Meadows, under each such Financing Member's respective Project Use Agreement will be, with respect to each such Financing Member, a valid and legally binding general obligation of the respective Financing Member, in accordance with its terms. A Deficiency Charge imposed upon any of the other Financing Members will be a valid and legally binding special and limited obligation of such respective Financing Member in accordance with its terms and payable from the revenues of such Financing Member's Waste System as described in the preceding paragraph.

9. Under existing law, interest on the Bonds is not includible in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not private activity bonds; therefore, interest on the Bonds does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. You are advised, however, that interest on the Bonds is includible in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from present Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exemption from Federal income taxes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Bonds. The Agency has covenanted in the Supplemental Resolution to comply with these requirements.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of each Project Use Agreement, the Bonds, the First Lien Master Resolution, the Second Lien Master Resolution and the Supplemental Resolution (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect, and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

We express no opinion as to the authorization, execution or enforceability of the Letter of Credit. We understand that opinions of other counsel with respect to the Letter of Credit have been furnished to you.

Respectfully yours,



**APPENDIX E**

**FINANCIAL STATEMENTS OF THE AGENCY**

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# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## Financial Statements

### Independent Auditors' Report

The Board of Directors  
Solid Waste Agency of Northern Cook County  
Des Plaines, Illinois:

We have audited the accompanying balance sheets of the Solid Waste Agency of Northern Cook County (the Agency) as of April 30, 2001 and 2000 and the related statements of operations, changes in fund equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Agency of Northern Cook County as of April 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

June 29, 2001

**KPMG LLP**

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## Balance Sheets

April 30, 2001 and 2000

Assets	<u>2001</u>	<u>2000</u>
Current assets:		
Cash and cash equivalents	\$ 3,544,566	995,287
Accounts receivable – financing members	404,696	763,257
Accounts receivable – other	574,893	297,667
Restricted cash and investments:		
Operation and maintenance account – cash and cash equivalents	916,788	1,884,036
Residual account:		
Cash and cash equivalents	2,962,066	2,876,129
Investments	<u>2,133,690</u>	<u>1,950,962</u>
Total current assets	<u>10,536,699</u>	<u>8,767,338</u>
Restricted cash and investments – debt service account:		
Cash and cash equivalents	5,637,623	4,354,089
Investments	5,281,353	6,176,352
Accrued interest receivable	<u>—</u>	<u>3,394</u>
Total restricted assets	<u>10,918,976</u>	<u>10,533,835</u>
Property, plant, and equipment:		
WTTS land	1,600,000	1,600,000
Balefill land	8,997,000	10,597,000
Transfer station building	16,144,567	16,144,567
Transfer station baling equipment	2,465,641	2,465,641
Furniture, fixtures, and equipment	<u>5,955</u>	<u>5,955</u>
	29,213,163	30,813,163
Accumulated depreciation	<u>(3,680,092)</u>	<u>(3,171,909)</u>
Net property, plant, and equipment and balefill	<u>25,533,071</u>	<u>27,641,254</u>
Debt issuance costs, net	<u>997,416</u>	<u>1,146,417</u>
Total assets	\$ <u>47,986,162</u>	<u>48,088,844</u>

See accompanying notes to financial statements.

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## Balance Sheets

April 30, 2001 and 2000

Liabilities and Fund Equity (Deficit)	<u>2001</u>	<u>2000</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,416,824	1,378,734
Current portion of long-term debt	2,620,000	,500,000
Due to members	534,850	570,720
Accrued interest payable	1,785,345	1,730,947
Deferred revenue	<u>1,422,207</u>	<u>1,422,207</u>
Total current liabilities	<u>7,779,226</u>	<u>7,602,608</u>
Long-term liabilities:		
Long-term debt, less current portion	57,286,039	59,819,440
Unamortized loss on refunding	<u>(1,772,863)</u>	<u>(2,039,301)</u>
Total long-term liabilities	<u>55,513,176</u>	<u>57,780,139</u>
Total liabilities	<u>63,292,402</u>	<u>65,382,747</u>
Fund equity (deficit):		
Contributed capital	4,723,340	4,723,340
Accumulated deficit	<u>(20,029,580)</u>	<u>(22,017,243)</u>
Total fund equity (deficit)	(15,306,240)	(17,293,903)
Commitments and contingencies		
Total liabilities and fund equity (deficit)	\$ <u>47,986,162</u>	<u>48,088,844</u>

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## Statements of Operations

Years ended April 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Transfer station operations:		
Revenues – charges to member communities	\$ 16,994,143	16,473,643
Expenses – transfer station operations	<u>(10,970,758)</u>	<u>(10,611,385)</u>
Operating profit from transfer station operations	6,023,385	5,862,258
General and administrative	(1,638,831)	(752,663)
Depreciation	<u>(508,184)</u>	<u>(508,184)</u>
Operating income	<u>3,876,370</u>	<u>4,601,411</u>
Nonoperating income (expense):		
Interest income	867,179	671,294
Interest expense	(3,917,883)	(4,066,142)
Amortization of bond issuance costs	(149,001)	(120,020)
Miscellaneous income	144,214	100,873
Gain on sale of balefill land	984,056	—
Realized and unrealized gains on investments	<u>182,728</u>	<u>53,525</u>
Total nonoperating expenses, net	<u>(1,888,707)</u>	<u>(3,360,470)</u>
Net income	\$ <u>1,987,663</u>	<u>1,240,941</u>

See accompanying notes to financial statements.

## SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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### Statements of Changes in Fund Equity (Deficit)

Years ended April 30, 2001 and 2000

		Contributed <u>capital</u>	Accumulated <u>deficit</u>	<u>Total</u>
Balance at April 30, 1999	\$	4,723,340	(23,258,184)	(18,534,844)
Net income		<u>—</u>	<u>1,240,941</u>	<u>1,240,941</u>
Balance at April 30, 2000		4,723,340	(22,017,243)	(17,293,903)
Net income		<u>—</u>	<u>1,987,663</u>	<u>1,987,663</u>
Balance at April 30, 2001	\$	<u>4,723,340</u>	<u>(20,029,580)</u>	<u>(15,306,240)</u>

See accompanying notes to financial statements.

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## Statements of Cash Flows

Years ended April 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Net operating income	\$ 3,876,370	4,601,411
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	508,184	508,184
Changes in assets and liabilities:		
Accounts receivable – financing members	358,561	(203,374)
Accounts receivable – other	(277,226)	694,526
Accounts payable and accrued expenses	38,090	(305,860)
Deferred revenue and due to members	<u>(35,870)</u>	<u>405,826</u>
Net cash provided by operating activities	<u>4,468,109</u>	<u>5,700,713</u>
Cash flows from non-capital and related financing activities – other nonoperating income		
	<u>144,214</u>	<u>100,873</u>
Cash flows from capital and related financing activities:		
Bond principal payments	(2,500,000)	(2,160,000)
Interest payments	<u>(3,510,448)</u>	<u>(3,762,258)</u>
Net cash used in capital and related financing activities	<u>(6,010,448)</u>	<u>(5,922,258)</u>
Cash flows from investing activities:		
Gross change in investments, net	894,999	981,073
Proceeds from sale of bafflelland	2,584,055	—
Interest	<u>870,573</u>	<u>683,295</u>
Net cash provided by investing activities	<u>4,349,627</u>	<u>1,664,368</u>
Net increase in cash and cash equivalents	2,951,502	1,543,696
Cash and cash equivalents at beginning of year	<u>10,109,541</u>	<u>8,565,845</u>
Cash and cash equivalents at end of year	\$ <u>13,061,043</u>	<u>10,109,541</u>

See accompanying notes to financial statements.



# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## (1) Organization

The Solid Waste Agency of Northern Cook County (the Agency) is a municipal joint action agency created as of May 2, 1988 under the provisions of the Intergovernment Cooperation Act, 5 ILLCS 220/3.2 (the Act). The Agency is empowered to plan, finance, construct, and operate a solid waste disposal system. The Agency has initiated action to meet its intentions to acquire equipment and to construct and equip a waste project (the Project) to dispose of the municipal waste received from its members on a site acquired by the Agency. The Project is planned to consist of the balefill site and a transfer station in the Village of Glenview. The Wheeling Township transfer station commenced operations February 1, 1994. Pursuant to the Project Use Agreements described below, charges to the member communities using the Wheeling Township transfer station at April 30, 2001 and 2000 resulted in a charges of approximately \$44 per ton.

The Agency consists of the following municipalities:

Arlington Heights Mount Prospect Barrington Niles Buffalo Grove Palatine Elk Grove Village Park Ridge Evanston Prospect Heights Glencoe Rolling Meadows Glenview Skokie Hoffman Estates South Barrington Inverness Wheeling Kenilworth Wilmette Lincolnwood Winnetka Morton Grove The Agency is governed by a Board of Directors consisting of one official selected by each member community who serves a two-year term. Each director has one vote. The Board of Directors determines the general policy of the Agency, makes all appropriations, approves contracts for solid waste disposal, adopts resolutions providing for the issuance of bonds or notes by the Agency, adopts by-laws, rules and regulations and exercises such powers and performs such duties as may be prescribed in the Agency agreement or the bylaws of the Agency.

The Executive Committee of the Agency consists of seven persons elected by the Board of Directors. Each person is entitled to one vote on the Executive Committee. The Executive Committee may take any action not specifically reserved to the Board of Directors by the Act, the Agency agreement, or the bylaws.

The authority to designate management, influence operations, and formulate budgets rests with the Board of Directors and Executive Committee. Criteria have been developed to determine whether other entities with activities that affect the Agency should be included within its financial reporting entity. The criteria include but are not limited to whether the Agency has governing or fiscal control or accountability for other entities. No other entity meets these criteria, and none is included within the Agency's reporting entity. In addition, no one member has the ability to significantly influence operations; therefore, the Agency is not a component unit of any other governmental reporting entity.

Each member community was obligated under an agreement with the Agency to pay its pro rata share of the principal and interest on the 1990 Notes (based on the population of that member) and of any equity contribution imposed by the Agency, which was imposed through November 1, 1994, on those member communities which were members of the Agency at the time of issuance of the 1990 Notes. The 1990 Notes were fully repaid by November 1, 1994. Those communities that executed the long-term Project Use Agreement in connection with the issuance of the 1992 Contract Revenue Bonds had their share of principal and interest on the 1990 Notes and equity contributions paid for by the Agency in conjunction with that issuance.

In connection with the 1992 Bonds, member communities are obligated under Project Use Agreements with the Agency to pay their allocable share of the Project costs (as defined). Three original member communities did not enter into the long-term Project Use Agreement and were obligated for their share of the 1990 Notes (aggregating \$2,001,145) and any equity contribution. In fiscal 1995, the three member communities' pro rata share of the principal and interest of the 1990 Notes was \$360,710. In addition, during

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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1995 these three member communities were assessed \$74,107, as their share of the required equity contribution. Such amounts have been recorded as contributed capital.

## (2) Significant Accounting Policies

The accounting policies for the Agency, as reflected in the accompanying financial statements, conform to accounting principles generally accepted in the United States of America applicable to proprietary funds of governmental units. The Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 20 which requires the Agency to apply accounting pronouncements not addressed by GASB prior to December 1, 1989. All pronouncements subsequent to this time will not be implemented unless addressed by GASB.

### (a) Basis of Accounting

The financial records are maintained utilizing the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency was being accounted for as a development stage enterprise through February 1, 1994 (date the Wheeling Township Transfer Station commenced operations); therefore, all costs incurred through that date in connection with the development of the Project have been capitalized. Since February 1, 1994, direct expenses for the balefill site and its share of net interest costs have been capitalized and included in the cost of the balefill (see note 6).

Deposits in The Illinois Funds (money market) are reflected in cash and cash equivalents in the accompanying financial statements. Restricted investments consist of U.S. Government securities and a repurchase agreement, and are stated at fair value.

Discount on long-term debt is amortized as additional interest expense on the straight-line method over the term of the debt. Amortization expense for the years ended April 30, 2001 and 2000 was \$86,599 and \$86,383, respectively

Through April 30, 1998, interest, net of related interest income, and amortization of long-term debt issuance costs incurred in connection with development of the Project were capitalized as a cost of the Project and would be amortized over the estimated useful life of the Project upon completion. Effective May 1, 1998, the Agency ceased capitalizing such costs due to the decision of the United States Court of Appeals for the Seventh Circuit (see note 6).

### (b) Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the plant and equipment as follows:

	<u>Years</u>
Transfer station building	38
Transfer station baling equipment	30
Furniture, fixtures and equipment	<u>5</u>

Maintenance and repair expenses are charged to operations as incurred. Significant costs of improvements are capitalized as part of property, plant, and equipment.

### (c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

## SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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(d) Reclassifications

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

(e) Deferred Revenue

Payments from member communities due in subsequent years are received in the current year are reported as deferred revenue.

(f) Use of Estimates

Management of the Agency has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities and the amounts of revenues and expenses to prepare these financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(g) New Accounting Pronouncements

GASB recently issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Agency has not elected early implementation of this statement in 2001. The Agency is required to implement GASB Statement No. 34 for the year ended April 30, 2004. The Agency has not completed the process of evaluating the impact of adopting this statement, and therefore is unable to disclose the impact that adopting this statement will have on its financial position and results of operations when such statement is implemented.

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## (3) Cash and Investments

### Investments

Under Illinois law the Agency is restricted to investing funds in direct or fully guaranteed obligations of the U.S. Government; interest-bearing demand or time deposits in banks and savings and loan associations, whose deposits are fully insured up to \$100,000 by the Federal Depository Insurance Corporation; commercial paper of U.S. corporations with assets exceeding \$500,000,000 rated in the highest classification by at least two rating agencies; insured accounts of an Illinois credit union chartered under United States or Illinois law; money market mutual funds whose portfolios consist solely of U.S. Government obligations or agreements to repurchase these same types of obligations; the Illinois Funds (money market); and repurchase agreements which meet instrument transaction requirements of Illinois law.

### Bank Deposits

The carrying amounts and bank balances of the Agency's deposits were \$13,061,043 and \$13,100,007, respectively, at April 30, 2001 and \$10,109,541 and \$10,125,174, respectively, at April 30, 2000. The bank balance of \$94,438 and \$69,663 at April 30, 2001 and 2000, respectively, were covered by the Federal Depository Insurance Corporation. The remaining balances were uninsured and uncollateralized.

### Investments

A summary of the Agency's investments at April 30, 2001 and 2000 is as follows:

		<u>2001</u>		<u>2000</u>	
	<u>Book</u>	<u>Fair</u>		<u>Book</u>	<u>Fair</u>
	<u>value</u>	<u>value</u>		<u>value</u>	<u>value</u>
U.S. Government securities fully guaranteed by the U.S. Government and held by the Trustee in the Agency's name	\$ 5,276,291	5,276,291		6,173,400	6,171,582
Uncategorized investments:					
The Illinois Funds	5,062	5,062		4,770	4,770
Illinois Metropolitan Investment Fund	<u>2,133,690</u>	<u>2,133,690</u>		<u>1,950,962</u>	<u>1,950,962</u>
	\$ <u>7,415,043</u>	<u>7,415,043</u>		<u>8,129,132</u>	<u>8,127,314</u>

In accordance with the Agency's investment policy, the Agency invests in the Illinois Funds, which is an external investment pool administered by the Illinois State Treasurer, and the Illinois Metropolitan Investment Fund, which is governed by a Board of Trustees consisting of seven members. Although not subject to regulatory oversight, the funds are administered in accordance with the provisions of the Illinois Public Investment Act, 30 ILCS 235. The fair value of the Agency's portion in these funds is equal to the recorded value of the pool shares.

# SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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## (4) Long-term Debt

Long-term debt consists of the following at April 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
\$55,650,000 Contract Revenue Bonds, Series 1992, bearing interest at 5.65% to 6.65%, maturing 1998 to 2015	\$ 28,855,000	29,265,000
4,400,000 Contract Revenue Bonds, Series 1994, bearing interest at 4.50% to 5.55%, maturing 2000 to 2015	4,220,000	4,400,000
29,085,000 Contract Revenue Bonds, Series 1995A, bearing interest at 4.50% to 6.00%, maturing 2000 to 2015	27,425,000	29,085,000
\$1,810,000 Contract Revenue Bonds, Series 1995B, bearing interest at 5.70% to 6.00%, maturing 1998 to 2000	-----	<u>250,000</u>
	60,500,000	63,000,000
Less unamortized discount	<u>593,961</u>	<u>680,560</u>
Long-term debt	\$ <u>59,906,039</u>	<u>62,319,440</u>

The resolutions authorizing the issuance of the 1995, 1994, and 1992 Bonds provide for the establishment of the following accounts to which the net proceeds were deposited:

**Acquisition and Construction Account** – Amounts deposited in this account may be used to pay the costs of construction, financing expenses, prior note refundings, and debt service on the 1995, 1994, and 1992 Bonds if a deficiency exists in the Debt Service Account. Any excess funds in this account are to be transferred to the Debt Service Account.

**Revenue Account** – All revenues of the Agency are to be deposited into this account as soon as practicable after receipt.

**Operation and Maintenance Account** – Amounts deposited in this account are used to pay those costs of the project which vary as a function of the amount of waste delivered to the project and do not constitute fixed costs.

**Debt Service Account** – Amounts deposited in this account are used to pay principal of and interest on the 1995, 1994, and 1992 Bonds. To the extent available, excess funds on deposit in the Acquisition and Construction Account are to be transferred to this account.

**Subordinated Indebtedness Account** – Amounts are deposited in this account as required to pay principal or sinking fund installments of and interest on each issue of subordinated indebtedness.

**Environmental Account** – Amounts deposited may, upon a determination of the Agency, be applied to the payment of such claims, losses, damages, liabilities, reparations, or reimbursements which may be required to be covered pursuant to conditions in permits, community mitigation agreements, or state or federal law.  
**Renewal and Replacement Account** – Amounts deposited may be applied to the payment of the costs of renewals, replacements, repairs and other extraordinary operation and maintenance expenses to the extent

## SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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not paid from the Operation and Maintenance Account.

Self-Insurance Account – Amounts deposited may be applied to the payment of claims or losses to the extent not covered by an insurance policy or surety bond.

Rebate Account – The Agency is to make transfers from the Revenue Account to the Rebate Account to the extent required to maintain the tax-exempt status of the interest paid on the 1995, 1994, and 1992 Bonds in accordance with the Tax Exemption Certificate and Agreement.

Residual Account – Amounts deposited are to be used to fund certain deficiencies in the Operation and Maintenance Account, Debt Service Account, or Subordinated Indebtedness Account. Any excess funds in this account may be transferred to any other account or, upon certain conditions, to the Agency. Proceeds from the 1992 Bonds were used to refund a portion of the 1990 Notes, to finance construction of the Wheeling Township Transfer Station (Transfer Station), to finance part of the design and initial costs of the remaining components of the Project, to pay capitalized interest on a portion of the 1992 Bonds, to fund the Debt Service Reserve account in an amount equal to the maximum annual aggregate debt service on the 1992 Bonds, to fund the Operation and Maintenance Account in the amount of \$1,000,000, and to pay costs of issuance.

Proceeds from the 1994 Bonds were used to refund a portion of the 1990 Notes, to fund a debt service reserve account, to fund capitalized interest through January 1, 1996, and to pay costs of issuance. The Agency placed certain of the proceeds from the subsequent debt issues in an irrevocable trust to provide for future debt service payments on the 1990 Notes.

On January 4, 1996, the Agency issued \$29,085,000 of Contract Revenue Bonds, Series 1995A (the 1995A Bonds) which were issued as private activity bonds. The Agency also issued \$1,810,000 of Contract Revenue Bonds, Series 1995B (the 1995B Bonds) which were issued as taxable bonds. The 1995 Bonds were issued for the purposes of purchasing or providing for the payment of those 1992 Bonds allocable to the Transfer Station in connection with the proposed change of use of the Transfer Station by the Agency. The Agency has elected to change the use of the Transfer Station under the Internal Revenue Code to permit it to enter into a long-term contract for private operation of the Transfer Station and hauling and disposal of member waste as well as to implement one or more contracts with private parties for delivery of waste to the Transfer Station. Proceeds from the 1995A Bonds and 1995B Bonds were used to purchase a portion of the 1992 Notes, to fund a debt service reserve account, and to pay costs of issuance. The transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$3,300,000. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through year 2015 using the effective interest method. Amortization expense for the years ended April 30, 2001 and 2000 was \$266,438 and \$280,786, respectively.

## SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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The Agency placed certain of the proceeds from the 1995B Bonds in an irrevocable trust to provide for future debt service payments on \$1,365,000 principal amount maturing in 2000 of the 1992 Notes.

The annual requirements to amortize all debt outstanding as of April 30, 2001 are as follows:

<u>Year ending April 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$	2,620,000	3,570,690	6,190,690
2003		2,770,000	3,420,650	6,190,650
2004		2,935,000	3,256,850	6,191,850
2005		3,110,000	3,083,060	6,193,060
2006		3,295,000	2,896,075	6,191,075
Thereafter		<u>45,770,000</u>	<u>16,129,085</u>	<u>61,899,085</u>
	\$	<u>60,500,000</u>	<u>32,356,410</u>	<u>92,856,410</u>

### (5) Commitments

Effective May 1, 1995, the Agency and Groot executed a new, long-term contract, by which Groot will operate the Wheeling Township Transfer Station until April 30, 2014 and provide for processing, hauling, and disposal of waste delivered to the Wheeling Township Transfer Station. Both the Agency and Groot have a one-time option to terminate this contract on April 30, 2004. If the Agency terminates the operation and maintenance and hauling components of the contract, the Agency is required to pay \$250,000 per year to Groot for as long as the disposal services are provided under the contract. Additionally, the Agency has the option, at any time, to terminate the disposal component of the contract, if the proposed balefill or other cost-effective waste disposal technologies become available. Payments to Groot for the years ended April 30, 2001 and 2000 totaled \$10,115,962 and \$9,869,838 respectively.

## SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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### (6) Contingent Liabilities

On July 21, 1994, the Chicago District of the United States Army Corps of Engineers denied the Agency's request for a permit to fill waters of the United States on the balefill property pursuant to the provisions of Section 404 of the Clean Water Act. The Agency challenged the Army's decision in the United States District Court. On April 16, 1998, the trial court denied the Agency's motion and granted the Army's motion for partial summary judgment with respect to the Agency's challenge to the Army's jurisdiction over the balefill site.

On October 7, 1999, the United States Court of Appeals for the Seventh Circuit affirmed the trial court's holding that the Army properly exercised jurisdiction over the balefill property. On May 22, 2000, the United States Supreme Court granted the Agency's petition certiorari. The balefill site cannot be developed as planned by the Agency unless the courts overturn the Army's decision. Should the Agency not be able to develop all or a portion of the balefill site in its currently proposed manner, accounting principles generally accepted in the United States of America would require the Project's carrying value be adjusted to net realizable value. Due to the adverse court rulings, an adjustment was recorded in 1999 in the financial statements to record the Project's carrying value to its net realizable value. Such adjustment amounted to a charge of \$21,098,753 during fiscal year 1999 and was determined from an analysis prepared by management.

On January 9, 2001, the U.S. Supreme Court ruled in favor of the Agency and reversed the U.S. Court of Appeals for the Seventh Circuit's decision. On May 14, 2001, the case was dismissed.

On May 9, 2001, the Agency's Board of Directors authorized agency staff to enter into negotiations to sell 284 acres of the balefill property to the State of Illinois for approximately \$21 million, leaving the Agency with 126.5 acres of land which could not be developed as a balefill.

### (7) Sale of Land

On March 21, 2001, the Agency made three separate sales of balefill land to three separate purchasers. Net sales proceeds amounted to approximately \$2,584,000. During 2001, the Agency recorded a gain on sale of balefill land of approximately \$984,000, which is included in the accompanying 2001 statement of operations.

### (8) Subsequent Event

On June 18, 2001, the Agency defeased \$2,125,000 of its Contract Revenue Bonds, Series 1992, and \$600,000 of its Contract Revenue Bonds, Series 1994.



**APPENDIX F**

**GLOBAL BOOK-ENTRY SYSTEM**

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The following information has been furnished by DTC for use in this Official Statement. The Agency is not responsible for its accuracy or completeness.

DTC will act as securities depository for the Series 2002A Bonds. The Series 2002A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2002A Bond certificate will be issued in the aggregate principal amount and maturity of the Series 2002A Bonds, and will be deposited with DTC or the Second Lien Trustee, as the agent of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). Direct and Indirect Participants are collectively referred to as "*Participants*". DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002A Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2002A Bonds, except in the event that use of the book-entry system for the Series 2002A Bonds is discontinued. See "DESCRIPTION OF THE SERIES 2002A BONDS – Effect on Series 2002A Bonds of Discontinuance of Book-Entry System."

To facilitate subsequent transfers, all Series 2002A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2002A Bonds with DTC and their registration in the name of Cede & Co. effect no change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002A Bonds are

credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2002A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2002A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption and interest payments on the Series 2002A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Second Lien Trustee on the Payment Date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agency or the Second Lien Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption price to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Agency or the Second Lien Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to have its Series 2002A Bonds purchased, pursuant to the tender provisions described in this Official Statement, through its Participant, to the Second Lien Trustee's Agent and/or the Remarketing Agent, as appropriate, and shall effect delivery of such Series 2002A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2002A Bonds, on DTC's records, to the Second Lien Trustee's Agent. The requirement for physical delivery of Series 2002A Bonds in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Series 2002A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2002A Bonds to the Second Lien Trustee's Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2002A Bonds at any time by giving reasonable notice to the Agency and the Second Lien Trustee. Under such circumstances, if a successor securities depository is not obtained, certificates for the Series 2002A Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2002A Bonds will be printed and delivered.

For every transfer and exchange of the Series 2002A Bonds, the Second Lien Trustee and DTC and the DTC Participants will charge the Beneficial Owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Agency and the Second Lien Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Series 2002A Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner, of any notice with respect to the Series 2002A Bonds, including any tender notice or notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner, of any amount with respect to principal of or interest on the Series 2002A Bonds.

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