

**MEMORANDUM OF AGREEMENT
(CLEAN WATER INITIATIVE)**

This Memorandum of Agreement (the "Agreement") is made and entered into by and between the Illinois Environmental Protection Agency, an agency of the State of Illinois (the "Agency"), and the Illinois Finance Authority, a body politic and corporate of the State of Illinois (the "Authority") as of November 1, 2013, in connection with the State of Illinois' Clean Water Initiative.

1. Whereas, Title VI of the Clean Water Act, as amended (the "CWA"), and Section 1452 of the Safe Drinking Water Act, as amended (the "SDWA"), authorize the Administrator of the United States Environmental Protection Agency (the "USEPA") to make capitalization grants to states to fund state water pollution control and public water supply revolving loan programs;
2. Whereas, the State of Illinois (the "State"), pursuant to the Illinois Environmental Protection Act (the "Act") 415 ILCS 5/1 et seq., has created the Water Revolving Fund (the "Fund"), which consists of three programs: Water Pollution Control Loan Program, Public Water Supply Loan Program, and Loan Support Program;
3. Whereas, the State has designated the Agency as the responsible agency for the administration of the Fund;
4. Whereas, it is the desire of the State, acting through the Agency, to assure the continuing availability of funds to finance the construction of necessary and USEPA-eligible facilities;
5. Whereas, the Agency and the Authority (collectively, the "Parties") believe it is appropriate and necessary to enter into this Agreement to further the objectives of the State by working in a cooperative manner and to identify the duties and powers of each of them, and the Agency and the Authority are each empowered to enter into this Agreement; and
6. Whereas, it is the intent of the Parties to implement a leveraged loan program whereby, at the request of the Agency, the Authority shall issue its bond or note obligations, the proceeds of which shall be used by the Agency to finance eligible projects, and other eligible uses, under the Water Pollution Control Loan Program and Public Water Supply Loan Program (collectively, the "Loan Programs").

Now, therefore, in consideration of the premises and the covenants and agreements herein contained, it is hereby agreed by and among the Parties hereto as follows:

I. Duties and Obligations of the Parties

The Parties agree to work diligently, cooperatively, and efficiently and to take such actions as are necessary or prudent to develop and implement a leveraged loan program to provide low-cost capital for the construction of eligible projects of units of local government in the State, and for

other eligible uses, under the Act. Such actions and obligations of each party shall include, but not be limited to:

A. By the Agency:

1. Prepare, or cause to be prepared, all documents required by the USEPA or any other federal or State agency to implement the Loan Programs, including, but not limited to, obtaining federal funding for the Loan Programs and requesting and administering State match funds;
2. Enter into agreements with the USEPA to administer the Loan Programs and to receive any federal grants made available for the Loan Programs;
3. Be the contact with USEPA for all programmatic, operational, regulatory and financial matters relative to the administration of the Loan Programs;
4. Request and receive capitalization grant transactions from the USEPA for deposit into the Loan Programs' funds;
5. Prepare all applications and documentation needed for the implementation of the Loan Programs;
6. Establish procedures for reviewing, processing, and approving applications and documentation used in the Loan Programs;
7. Prepare requests for the delivery of all federal letter of credit payments to be used in the funding of the Loan Programs and ensure the deposit of such payments into the Fund;
8. Determine which projects and loan applicants are eligible to receive loans from the Loan Programs funds and determine project and loan priorities, the amount of the loans, the interest rates and the repayment terms under which loans from the Loan Programs' funds are granted, in compliance with all applicable authority;
9. Review, process and approve applications and enter into loan agreements and loan amendments;
10. Review and approve all construction and other technical project documentation;
11. Monitor the construction progress of each facility that receives a loan;
12. Maintain the official project files and make them available for review by the Authority, its auditors, and professionals engaged to provide professional guidance to the Authority's bond or note obligations;

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13. Direct the schedule of loan commitments from the Fund;
14. Prepare disbursement documents for project payment and advise the Authority regarding requisition of funds for disbursement;
15. Direct and coordinate the management of the Loan Programs with the Authority to the extent necessary to assist the Authority in the sale of bonds for the Loan Programs and provide the Authority with information necessary to prepare the Official Statement, ratings presentations and investor presentations;
16. Make available to the Authority the Agency's Loan Programs' system reports to assist the Authority in performing monthly reconciliation of the trust statements;
17. Prepare and submit the required monthly financial reports for the Loan Programs' funds to USEPA;
18. Prepare and submit the required quarterly financial reports for the Loan Programs' funds to the Illinois Office of the Comptroller ("Comptroller");
19. Coordinate with the Authority on the Agency's yearly financial statements filed with the Comptroller;
20. Perform all duties and obligations expressly provided by the Act or other State or federal laws relating to the Loan Programs and pursuant to indentures and other documents approved in connection with the issuance of bonds, including but not limited to, servicing of loans and amendments of loan documents, including without limitation the sale and substitution of additional loans;
21. Promulgate rules, as may be necessary and authorized, to implement a leveraged loan program;
22. Coordinate with the Authority as to the timing, structure and level of revenue bond issuance necessary to fund loan obligations on a timely basis;
23. In connection with a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") entered into by the Authority with respect to any Authority Bonds (as defined below), provide the Authority with information necessary to file annual continuing disclosure documents as specified in Exhibit I to such Continuing Disclosure Agreement and include requirements in loan agreements obligating loan participants to provide continuing disclosure documents to the extent that such loan participants become "Obligated Program Participants" under the Continuing Disclosure Agreement;

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24. Retain legal counsel to represent the Agency in the event the Agency is named a party in litigation or the subject of material investigation involving the Loan Programs or the Fund, with the cost (if any) of such counsel to be the responsibility of the Agency;
25. Provide the Authority with any information necessary to respond to any audit or investigation by the Internal Revenue Service involving the Loan Programs, the Fund or the Authority bonds issued in connection with the Loan Programs ("Authority Bonds") and to comply with any Tax Exemption Agreement in connection with Authority Bonds, and include requirements in loan agreements obligating loan participants to provide information necessary to comply with any Tax Exemption Agreement; and
26. Provide a certificate to the Authority (on a form jointly agreed by the Authority and the Agency) so that the Authority can certify to the trustee that repayments on pledged loans (for the Loan Programs) will satisfy coverage requirements for all outstanding Authority Bonds;
27. Execute such documentation as may be necessary in connection with any Authority Bonds to evidence the assignment of pledged loans by the Agency to the Authority; and
28. Provide quarterly reports to the Authority (on a form jointly agreed by the Authority and the Agency) and any other information necessary for the Authority to determine and ensure compliance of the Authority Bonds with any extraordinary redemption requirements as a result of Federal tax rules (including the 1-year and 3-year redemptions as may be required by the Tax Increase Prevention and Reconciliation Act of 2005), which reports and information shall detail the amounts expended from the proceeds of any Authority Bonds to fund loans under the Loan Programs to participants.

B. By the Authority:

1. Coordinate with the Agency as to the timing, structure and level of revenue bond issuance necessary to fund loan obligations on a timely basis and coordinate the drafting of all documents relating to the issuance and sale of revenue bonds or notes;
2. Retain qualified firms, including, but not limited to, firms to serve as bond counsel, financial advisors, underwriters and other professionals, in connection with bonds issued by the Authority and to assist in structuring loans and the preparation of all necessary documents relating to such bonds and loans, with such costs (including the reimbursement of costs incurred prior to the issuance of any bonds) to be paid as agreed by the Agency and the Authority from the Fund or the proceeds of bonds issued;

3. Together with the Agency, structure and negotiate the terms of bonds or notes, the net proceeds of which will be used to fund eligible projects, to provide the required State matching funds for the Loan Programs, to refund bonds previously issued to finance eligible projects, or for other purposes related to the Loan Programs or financing arrangements as directed by the Agency; the amount and timing of bonds sold will be decided by the Agency provided that all bond and note issuances are subject to the approval of the Authority's Board of Directors;
4. Engage a rebate calculation agent to prepare all arbitrage rebate calculations required by federal tax law, and to assure that all required payments are timely paid, all in accordance with federal law and the bond documents in connection with bonds issued by the Authority under this Agreement;
5. Coordinate with the Agency and the rebate calculation agent regarding any necessary arbitrage rebate calculation, transfer money to proper the fund based on the estimated arbitrage rebate calculation, and filing of necessary reports prepared by the arbitrage rebate agent and the Agency and regarding general compliance with any Tax Exemption Agreement. All fees and expenses related to arbitrage rebate and tax compliance shall be paid by the Agency;
6. If pledged loans are requested to be substituted by the Agency and other loans are pledged of an equivalent value ("substituted loans"), or if a pledged loan is repaid by the loan recipient ("repaid loans"), and the master trustee returns substituted loans or repaid loans, the Authority shall take any and all action under the Master Trust Agreement for the release of the substituted loans or repaid loans from a Master Trust Agreement to the Agency using such forms for the Authority's consent and the Agency's certification in connection with such loan substitution as the Authority may designate;
7. If the Agency requests the release of any funds or investments from the Equity Fund in accordance with the terms of the Master Trust Agreement, the Authority shall take any and all actions under the Master Trust Agreement for such release to occur so long as the financial preconditions set forth in the Master Trust Agreement have been satisfied.
8. If any underwriter of a series of bonds pays a penalty or liquidated damages to the Authority pursuant to or under the terms of any contract, agreement or covenant, that the net recovery of the penalty or liquidated damages shall be transferred to the Revenue Fund of the Master Trust Agreement within sixty (60) days; unless otherwise agreed upon by the Parties hereto;
9. The Authority shall (i) compile and report such annual continuing disclosure documents provided to the Authority by the Agency (as

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- described in Exhibit I to the Continuing Disclosure Agreement), (ii) monitor and file as necessary such reportable event disclosure documents (as described in Exhibit II to the Continuing Disclosure Agreement) and (iii) coordinate, monitor and file continuing disclosure documents as may be required of "Obligated Program Participants", all as required pursuant to the Continuing Disclosure Agreement;
10. Reconcile the trust statements to the Agency's Loan Programs' system reports on a monthly basis and provide to the Agency a copy of the monthly trust statement reconciliation as well as a copy of the trust statements;
 11. Provide Fair Market Value adjustments on a quarterly basis for all investments in the trust accounts to enable the Agency to file the required quarterly financial report to the Comptroller and direct investment of funds held under the Master Trust Agreement;
 12. Coordinate with the Agency on the Authority's yearly financial statements filed with the Comptroller;
 13. Retain legal counsel to represent the Authority in the event the Authority is named as a party to litigation or the subject of material investigation involving the Authority Bonds, with the cost (if any) of such counsel to be paid out of the Fund;
 14. Retain legal counsel to represent the Authority in the event of any audit or investigation by the Internal Revenue Service involving the Loan Programs, the Fund or the Authority Bonds, and, if necessary, retain accounting or rebate professionals, to respond to such action, with the cost (if any) of such legal counsel and professionals to be paid by the Agency;
 15. Retain verification agents, bidding agents and escrow agents, as necessary, in connection with any refunding of Authority Bonds.
 16. Take any steps reasonably necessary, including, without limitation, providing that funds are made available for general contractual services, to ensure that any defense or audit costs referenced above are paid by the Agency;
 17. Report to the Master Trustee based on information and reports by the Agency that repayments on pledged loans (for both Loan Programs) will satisfy financial requirements contained in the Master Trust Agreement for all outstanding Authority Bonds. Such certification shall be made promptly, upon notification by the Agency of any of the following events: (i) notification that any loan will be or is prepaid in advance of the stated maturity, (ii) effective date of any amendments agreed to by the Agency to any pledged loan which reduce the amounts payable in any year, or (iii) release, substitution or addition of any pledged loan at the direction of the

Agency. The Authority shall also provide copies of such reports to the Rating Agencies.

II. Pay to the Authority

The Authority shall be reimbursed by the Agency for prior expenditures in the amount of \$150,000.00 to be paid upon the execution of this Agreement. The Authority shall be paid, in connection with the Series 2013 Bond issue, an issuance fee from bond proceeds or other Agency resources, an amount equal to \$150,000.00 to be paid at the closing of the Series 2013 Bonds. In addition, each December 31, beginning December 31, 2013, for so long as the Authority Bonds are outstanding, the Agency will pay the Authority an annual management and continuing disclosure fee equal to \$150,000.00, which amount (i) in the case of the fee due December 31, 2013, will be paid from Loan Support Fees collected by the Agency and (ii) in the case of the fees due on each subsequent December 31, will be paid from the Equity Fund established under the Master Trust Agreement.

III. Liability

Nothing in this Agreement shall be construed to create joint or several liability of a party for the acts, omissions or obligations of the other.

IV. Method of Approval

Execution of this agreement by the Executive Director of the Authority and the Director of the Agency shall evidence approval of the terms of this Agreement.

V. Effective Date

This Agreement shall be effective on and after the latest date by which the Parties sign this Agreement.

VI. Duration

This Agreement shall continue in effect from the effective date herein provided until all bonds and notes of the Authority issued in accordance with this Agreement have been paid in full, unless earlier terminated as provided below.

VII. Termination

Any party may terminate this Agreement with notice to the other party in accordance with this Section, or this Agreement may be terminated by operation of law; provided that this Agreement may not be terminated for so long as any Authority Bonds remain outstanding. The party desiring to terminate this Agreement shall deliver written notice of its desire to terminate to the other party. The notice shall state the reasons for terminating this Agreement. The termination of this Agreement by either party or by operation of law shall not relieve the other party hereto of any obligations or liabilities accrued prior to the effective date of such termination

VIII. Notices

Any notice under this Agreement shall be in writing and shall be deemed to be given when deposited with the United States Post Office by certified mail.

Notices to the Authority shall be addressed to:

Illinois Finance Authority
180 North Stetson Avenue, Suite 2555
Chicago, Illinois 60601

Attention: Executive Director

(With a copy to the Authority's Legal Department at the same address)

Notices to the Agency shall be addressed to:

Illinois Environmental Protection Agency
P.O. Box 19276
Springfield, Illinois 62794-9276

Attention: Director

(With a copy to the Agency's General Counsel at the same address)

IX. Governing Law

This Agreement shall be governed by, and construed and enforced in accordance with, State law in effect for the duration of the Agreement.

X. Miscellaneous

It is the intent of the Parties to this Agreement to provide for the efficient operation of the Loan Programs. To this end, the Parties agree that each will strive to do equity in all things concerning this Agreement. The Parties agree to proceed with all diligence in the performance of their respective undertakings in connection with this Agreement. The Agency may, from funds available for that purpose, provide for and pay related incidental expenses, including travel expenses, of any of the Parties in developing and operating the Loan Programs or the Fund, as deemed necessary or advisable by the Agency.

XI. Entire Agreement

This Agreement contains the entire agreement among the Parties and may not be changed except by an amendment in writing signed by the Parties, except that the agreements contained herein, may be interpreted in light of other bond documents entered into or agreed to by either of the Parties in connection with the issuance of Authority Bonds.

XII. Binding Effect

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and assigns.

XIII. Reservation of Rights

None of the rights conferred upon or reserved to the Parties shall be exclusive of any other rights available to such Parties, but such rights shall be in addition to all other rights such Parties may have by law.

XIV. Limitation of Rights

The provisions of this Agreement are intended to be, and are, for the sole and exclusive benefit of the Parties. Nothing expressed or mentioned in or to be implied from this Agreement shall be construed to give any person other than the Parties any legal or equitable right, remedy or power or claim under this Agreement.

XV. Severability

If any clause, provision or section of this Agreement shall, for any reason, be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof, and this Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein. In case any agreement or obligation contained in this Agreement shall be held to be in violation of law, then the other agreements or obligations contained herein shall be deemed to be the agreements and obligations of the applicable party hereto, to the full extent permitted by law.

XVI. Execution in Counterparts

This Agreement may be executed in any number of counterparts by the Parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute but one and the same Agreement.

XVII. Amendments and Supplements

This Agreement may not be effectively amended, changed, modified, altered or terminated except by an instrument in writing signed by the Parties.

IN WITNESS WHEREOF, the Agency and the Authority have caused this Agreement to be executed as of November 1, 2013.

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY



ILLINOIS FINANCE AUTHORITY

By _____
Christopher B. Meister, Executive Director

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IN WITNESS WHEREOF, the Agency and the Authority have caused this Agreement to be executed as of November 1, 2013.

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

By _____
Lisa Bonnett, Director

ILLINOIS FINANCIAL SERVICES BOARD

By _____
Christopher D. Meister, Executive Director