

Minutes of a regular meeting of the Council of the City of Rochelle, Ogle and Lee Counties, Illinois, held at City Hall in said City, at 7:00 p.m., on the 25th day of August, 2014.

* * *

The Mayor called the meeting to order and directed the City Clerk to call the roll.

Upon the roll being called, the Mayor and the following Council Members answered physically present at said location: _____

_____.

The following Council Members were allowed by a majority of the Council Members in accordance with and to the extent allowed by rules adopted by the Council to attend the meeting by video or audio conference: _____

_____.

No Council Member was not permitted to attend the meeting by video or audio conference.

The following Council Members were absent and did not participate in the meeting in any manner or to any extent whatsoever: _____

_____.

The Council then discussed the necessity for the City to finance improvements to the electric system of the City and considered an ordinance providing for the issuance of Electric System Revenue Bonds, Series 2014, of the City, and providing for the pledge of the net revenues derived from the operation of the City’s existing electric utility system for the payment of the principal of and interest on said bonds. The discussion noted that the proposed borrowing is authorized without referendum approval under the Illinois Municipal Code, as amended, and as supplemented by the Local Government Debt Reform Act, as amended, and the other Omnibus Bond Acts, as amended, and that the ordinance authorizes certain officers of the City to

execute documents and take certain actions to effectuate the issuance of the bonds for the purposes described.

Thereupon, Council Member _____ presented and the City Attorney explained the following ordinance, which was before the Council and made available to any person requesting one in words and figures as follows:

AN ORDINANCE providing for the issuance of not to exceed \$6,000,000 Electric System Revenue Bonds, Series 2014, of the City of Rochelle, Ogle and Lee Counties, Illinois, and a bond order in connection therewith, and providing for the collection, segregation and distribution of the revenues of the electric system of the City.

(the "*Bond Ordinance*").

Council Member _____ moved and Council Member _____ seconded the motion that the Bond Ordinance as presented be adopted.

After discussion thereof, including a public recital of the nature of the matter being considered and such other information as would inform the public of the business being conducted, the Mayor directed that the roll be called for a vote upon the motion to adopt the Bond Ordinance.

Upon the roll being called, the following Council Members voted AYE: _____

and the following Council Members voted NAY: _____
_____ .

WHEREUPON, the Mayor declared the motion carried and the ordinance adopted, and henceforth did approve and sign the same in open meeting, and directed the City Clerk to record

the same in full in the records of the Council of the City of Rochelle, Ogle and Lee Counties, Illinois.

Other business was duly transacted at said meeting.

Upon motion duly made and carried, the meeting adjourned.

City Clerk

ORDINANCE NO. _____

AN ORDINANCE providing for the issuance of not to exceed \$6,000,000 Electric System Revenue Bonds, Series 2014, of the City of Rochelle, Ogle and Lee Counties, Illinois, and a bond order in connection therewith, and providing for the collection, segregation and distribution of the revenues of the electric system of the City.

* * *

WHEREAS, the City of Rochelle, Ogle and Lee Counties, Illinois (the “*City*”), has for many years owned and operated an electric system (the “*System*”) pursuant to Division 119 of Article 11 of the “*Illinois Municipal Code*”, approved May 29, 1961, and all other laws amendatory thereof and supplementary thereto (the “*Municipal Code*”); and

WHEREAS, the City has heretofore adopted the provisions of Article 5 of the Municipal Code providing for the managerial form of municipal government, and accordingly the provisions of Section 4-5-13 of the Municipal Code relating to filing certain ordinances for public inspection are no longer applicable to the City; and

WHEREAS, the Council of the City (the “*Corporate Authorities*”) have determined that it is advisable, necessary and in the best interests of the public health, safety and welfare to pay the cost of repairs, replacements, renewals, improvements and extensions to the System (the “*Project*”), all in accordance with the estimate of costs therefor, which have been prepared for the City, and which have been approved by the Corporate Authorities and are now on file in the office of the City Clerk of the City (the “*City Clerk*”) for public inspection; and

WHEREAS, the projects constituting the Project include, but are not limited to, the purchase and installation of diesel generators, and design, engineering, site preparation, improvement, expansion and repairs related to the Steward Road transmission line and the Caron Road substation; and

WHEREAS, the estimated costs of constructing and installing the Project, including engineering, administrative and financing costs, legal fees and contingencies, is not more than \$6,000,000, and in order to raise the funds required it will be necessary for the City to borrow the sum of not to exceed \$6,000,000 and in evidence thereof issue its electric revenue bonds in such amount; and

WHEREAS, it is necessary and for the best interests of the City that the Project be constructed and installed; and

WHEREAS, pursuant to and in accordance with the provisions of the Municipal Code, and all other laws amendatory thereof and supplementary thereto, including specifically, the Local Government Debt Reform Act, as supplemented and amended, and the other Omnibus Bond Acts, as amended (collectively, the “*Act*”), the City is authorized to issue its electric revenue bonds to pay the costs of the Project; and

WHEREAS, there are insufficient funds on hand lawfully available to pay the costs of the Project, and such costs are expected to be defrayed by up to \$6,000,000 in proceeds of electric revenue bonds to be issued under the authority of the Act; and

WHEREAS, the Corporate Authorities have heretofore authorized and issued Electric System Revenue Refunding Bonds, Series 2008 (the “*Series 2008 Bonds*”) and Electric System Revenue Bonds, Series of 2005 (the “*Series 2005 Bonds*”), which are now outstanding and are payable from the revenues of the System; and

WHEREAS, incidental to the issuance of the Series 2008 Bonds and the Series 2005 Bonds, the City expressly reserved the right to issue “Parity Bonds,” being revenue bonds ratably and equally secured with the Series 2008 Bonds and the Series 2005 Bonds by the hereinafter defined “Net Revenues,” provided certain conditions as set forth in the respective ordinances

adopted by the Corporate Authorities on the 9th day of June, 2008 and the 11th day of July, 2005, respectively (together, the “*Prior Ordinances*”) were satisfied; and

WHEREAS, the Corporate Authorities have heretofore and it hereby is determined that the conditions so set forth in the Prior Ordinances will be satisfied upon the issuance of the hereinafter defined Bonds:

NOW, THEREFORE, Be It Ordained by the Council of the City of Rochelle, Ogle and Lee Counties, Illinois, as follows:

Section 1. Definitions. For the purpose of this Ordinance, the following words, terms and phrases shall have the following meanings:

“*Act*” means Division 4 of Article 8 and Division 119 of Article 11 of the Illinois Municipal Code, as supplemented and amended, and particularly as supplemented by the Local Government Debt Reform Act, as supplemented and amended, and the other Omnibus Bond Acts, as amended.

“*Bond*” or “*Bonds*” means the not to exceed \$6,000,000 principal amount of obligations authorized to be issued under the terms of this Ordinance.

“*Bond Counsel*” means Chapman and Cutler LLP, Chicago, Illinois.

“*Bond Fund*” means the Bond and Interest Account created in Section 12(b) hereof.

“*Bond Order*” means the written bond order and notification of sale to be executed by the Designated Officers and setting forth certain details of the Bonds as herein provided.

“*Bond Register*” means the books to be kept for the registration and for the transfer of the Bonds as provided in this Ordinance.

“*Bond Registrar*” means The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois, or its successor as designated by the Corporate Authorities, or assigns.

“*City*” means the City of Rochelle, Ogle and Lee Counties, Illinois.

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

“*Continuing Disclosure Undertaking*” means the written agreement or contract of the City constituting an undertaking to provide ongoing disclosure about the City for the benefit of the beneficial owners of the Bonds.

“*Corporate Authorities*” means the Council of the City.

“*Depository*” means The Depository Trust Company, New York, New York, a limited trust company, acting as depository for the Bonds hereunder, or successors or assigns.

“*Depreciation Requirement*” means an aggregate amount equal to \$7,000,000, or such higher amount as may be recommended by an independent consulting engineer and approved by the Corporate Authorities.

“*Designated Officers*” means the Mayor, Clerk, Manager or Treasurer of the City, or any two of them acting together, and designated successors or assigns.

“*Fiscal Year*” means the period commencing May 1 and ending the last day of April of each succeeding calendar year, and the System shall be operated and the revenues shall be accounted for on said Fiscal Year basis.

“*Fund*” or “*Electric Fund*” means the heretofore established Electric Fund of the City of Rochelle, which fund is expressly continued hereunder.

“*Insurer*” means any issuer of a financial guaranty or municipal bond insurance policy relating to the Bonds as set forth in the Bond Order.

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

“Maximum Annual Debt Service” means an amount of money equal to the highest future principal and interest requirement of all Outstanding Bonds required to be deposited into the Bond and Interest Account created by this Ordinance in any Fiscal Year, including and subsequent to the Fiscal Year in which the computation is made. Any Outstanding Bonds required to be redeemed pursuant to mandatory redemption from said Bond and Interest Account shall be treated as falling due on the date required to be redeemed (except in the case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Bonds.

“Net Revenues” means Revenues minus Operation and Maintenance Costs.

“Operation and Maintenance Costs” means all costs of operating, maintaining and routine repair of the System, including, without limitation, wages, salaries, costs of materials and supplies, purchased utility supplies or services, fuel, insurance, payments by the City pursuant to long term contracts for services related to the System, audit or account expenses, studies for rate determinations, billing and collection costs, and provision for loss in collection; but excluding debt service, depreciation, capital improvements or replacements (including meter replacements) or engineering expenses in anticipation thereof or in connection therewith, or any reserve requirements; and otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

“Ordinance” means this Ordinance adopted by the Corporate Authorities on the 25th day of August, 2014.

“Outstanding Bonds” or *“outstanding Bonds”* means Bonds and Parity Bonds which are outstanding and unpaid; *provided, however*, such term shall not include Bonds or Parity Bonds (i) which have matured and for which moneys are on deposit with proper paying agents, or are otherwise properly available, sufficient to pay all principal thereof and interest thereon, or (ii) the provision for payment of which has been made by the City by the deposit in an irrevocable trust or escrow of funds or direct, full faith and credit obligations of the United States of America, the principal of and interest on which will be sufficient to pay at maturity or as called for redemption all the principal of and interest on such Bonds or Parity Bonds.

“Parity Bonds” means bonds or any other obligations to be issued subsequent in time to the Bonds and which will share ratably and equally in the earnings of the System with the Bonds, the Series 2008 Bonds and the Series 2005 Bonds.

“Paying Agent” means The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois, or its successor as designated by the Corporate Authorities, or assigns.

“Permitted Investments” means any investment lawful for funds of the City under the laws of the State of Illinois.

“Policy” means the financial guaranty or municipal bond insurance policy issued by the Insurer for the payment of the principal of and interest on the Bonds.

“Private Business Use” means any use of any portion of the Project by any person other than a state or local governmental unit, including as a result of (i) ownership, (ii) actual or beneficial use pursuant to a lease or a management, service, incentive payment, research or output contract or (iii) any other similar arrangement, agreement or understanding, whether written or oral, except for use of any portion of the

Project on the same basis as the general public. “Private Business Use” includes any formal or informal arrangement with any person other than a state or local governmental unit that conveys special legal entitlements to any portion of the Project that is available for use by the general public or that conveys to any person other than a state or local governmental unit any special economic benefit with respect to any portion of the Project that is not available for use by the general public.

“*Project*” means the construction, additions and improvements to the System set forth in detail in the preambles hereto.

“*Purchase Price*” means the price paid to the City by the Underwriter for the Bonds, which price shall be not less than ninety-eight per cent (98.00%) of par (net of original issue discount, if any).

“*Record Date*” means the fifteenth day of the month next preceding any regularly scheduled interest payment date and fifteen days prior to any interest payment date occasioned by a redemption of Bonds on other than a regularly scheduled interest payment date.

“*Representation Letter*” means that written letter or agreement by and between the City and the Depository and providing for the issuance of the Bonds in book-entry only form.

“*Revenues*” means all income, moneys and receipts to be received directly or indirectly from the continued use and operation of the System, including, without limiting the generality of the foregoing, (i) operating revenues and receipts; (ii) Investment Earnings; (iii) connection, permit, and inspection fees and the like; (iv) penalties and delinquency charges; (v) capital development, reimbursement, or recovery charges and the like; and (vi) new service charges insofar as designated by the Corporate Authorities

as paid for System service; but excluding expressly (a) non-recurring income from the sale of property of the System or insurance proceeds derived from the System; (b) governmental or other grants; (c) advances or grants made from the City or other governmental entities; and as otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

“*Series 2008 Bonds*” means the bonds identified in the preambles hereto.

“*Series 2005 Bonds*” means the bonds identified in the preambles hereto.

“*System*” means all of the properties and facilities of the electric system of the City as now existing, and as it may hereafter be improved or extended, whether lying within or without the boundaries of the City, while any of the Bonds or Parity Bonds remain outstanding; including all improvements, additions and extensions thereto or replacements thereof hereafter constructed or acquired by purchase, contract or otherwise; and all contracts, rights, agreements, leases and franchises of every nature owned or to be owned by the City and used or useful or held for use in the operation of the System or any part or portion thereof.

“*Tax Exempt*” means, with respect to the Bonds, the status of interest paid and received thereon as excludable the gross income of the owners thereof under the Code for federal income tax purposes, except to the extent that such interest is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations.

“*Term Bonds*” means Bonds which are subject to mandatory redemption prior to maturity by operation of the Bond Fund, as hereinafter provided.

“*Underwriter*” or “*Purchaser*” means Robert W. Baird & Co. Incorporated, Naperville, Illinois.

Section 2. Incorporation of Preambles. The Corporate Authorities hereby find that all of the recitals contained in the preambles to this Ordinance are full, true and correct and do incorporate them into this Ordinance by this reference.

Section 3. Authorization of System Improvements. It is determined necessary and in the best interests of the City to construct the Project, all in accordance with the Act.

Section 4. Period of Usefulness. The Corporate Authorities hereby determine that the period of usefulness of the System will be no less than thirty (30) years from the date of the issuance of the Bonds.

Section 5. Bond Details. For the purpose of providing funds to pay the costs of the Project, together with the payment of all proper and incidental expenses in connection therewith, there are hereby authorized to be issued Bonds of said City in an amount not to exceed \$6,000,000, in accordance with the provisions of the Act. The Bonds shall each be designated "Electric System Revenue Bond, Series 2014," or such other designation as set forth in the Bond Order, which Bonds shall be dated such date as shall be provided in the Bond Order, but not later than February 1, 2015 (the "Dated Date"), and shall also bear the date of authentication, shall be in fully registered form, shall be in denominations of \$5,000 each and authorized integral multiples thereof (but no single Bond shall represent installments of principal maturing on more than one date), shall be numbered 1 and upward, and shall bear interest at the rates per annum and (subject to the right of prior redemption hereinafter set forth) shall mature serially on May 1 of each of the years and in the amounts as shall be set forth in the Bond Order, *provided, however* that no Bond shall bear interest at a rate per cent per annum which is in excess of seven percent (7.00%) or mature on a date which is later than May 1, 2035.

The Bonds, together with interest thereon, shall be payable solely from the Net Revenues derived from the operation of the System, and such Bonds shall not in any event constitute an

indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

Each Bond shall bear interest from the Dated Date as herein provided or from the most recent interest payment date to which interest has been paid or duly provided for, whichever date is later, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on the first days of May and November of each year, commencing on such date as shall be provided in the Bond Order. Interest on each Bond shall be paid by check or draft of the Paying Agent to the person in whose name such Bond is registered at the close of business on the Record Date, or as otherwise agreed by the City and the Depository for so long as the Bonds shall be held in book-entry only form as hereinafter provided. Subject to the provisions of the Representation Letter, the principal of the Bonds and premium, if any, shall be payable in lawful money of the United States of America at the office maintained for the purpose by the Paying Agent. Interest payable to the registered owner of not less than \$100,000 in aggregate principal amount of the Bonds may be paid by wire transfer of immediately available funds to any bank in the continental United States specified by such owner in writing to the Paying Agent.

Section 6. Execution; Authentication. The Bonds shall be executed on behalf of the City with the manual or duly authorized facsimile signature of its Mayor and attested with the manual or duly authorized facsimile signature of its City Clerk, and shall have impressed or imprinted thereon the City seal or facsimile thereof. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

Each Bond shall have thereon a certificate of authentication substantially in the form hereinafter set forth, duly executed by the Bond Registrar as authenticating agent of the City and

showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

Section 7. Book Entry; Registration of Bonds; Persons Treated as Owners. (a) *Book Entry.* The Bonds shall be initially issued in the form of a separate single fully registered Bond for each maturity. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register therefor in the name of “Cede & Co.”, or any successor thereto, as nominee of the Depository. All of the outstanding Bonds from time to time shall be registered in the Bond Register in the name of Cede & Co., as nominee of the Depository. Any Designated Officer and the Bond Registrar are authorized to execute and deliver on behalf of the City a Representation Letter. Without limiting the generality of the authority given to such Designated Officer with respect to entering into such Representation Letter, it may contain provisions relating to (i) payment procedures, (ii) transfers of the Bonds or of beneficial interest therein, (iii) redemption notices or procedures unique to the Depository, (iv) additional notices or communications, and (v) amendment from time to time to conform with changing customs and practices with respect to securities industry transfer and payment practices.

With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of the Depository, the City and the Bond Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institutions for which the Depository

holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a “*Depository Participant*”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds. Without limiting the meaning of the immediately preceding sentence, the City and the Bond Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (b) the delivery to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, or any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds.

No person other than a registered owner of a Bond as shown in the Bond Register shall receive a Bond certificate with respect to any Bond. Upon delivery by the Depository to the Bond Registrar of written notice to the effect that the Depository has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions hereof with respect to the payment of interest to the registered owners of Bonds as of the applicable Record Date, the name “Cede & Co.” in this Ordinance shall refer to such new nominee of the Depository.

In the event that (a) the City determines that the Depository is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the agreement among the City, the Bond Registrar and the Depository evidenced by the Representation Letter shall be terminated for any reason, or (c) the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall notify the Depository of the availability of Bond certificates, and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co., as nominee of the

Depository. The City may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a book-entry system, as may be acceptable to the City, or such depository's agent or designee, and if the City does not select such alternate book-entry system, then the Bonds may be registered in whatever name or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions hereof. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Depository, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

In the event that the Bonds ever become generally registrable, as aforesaid, the City Treasurer may, in his or her discretion at such time, designate as successor to the Paying Agent or the Bond Registrar, or both, a bank with trust powers or trust company, duly authorized to do business as a bond registrar, paying agent, or both, to act in one or both such capacities hereunder, in the event that the City Treasurer shall determine it to be advisable. Notice shall be given to the registered owners of any such designation in the same manner, as near as may be practicable, as for a notice of redemption of Bonds, and as if the date of such successor taking up its duties were the redemption date.

(b) *Registration of Bonds.* The City shall cause the Bond Register to be kept at the office maintained for the purpose by the Bond Registrar, which is hereby constituted and appointed the registrar of the City. The City is authorized to prepare, and the Bond Registrar, or an agent of either, shall keep custody of, multiple Bond blanks executed by the City for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth herein. Upon surrender for transfer or

exchange of any Bond at the office maintained for the purpose by the Bond Registrar, duly endorsed by or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or his attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees or, in the case of an exchange, the registered owner, a new fully registered Bond or Bonds of the same interest rate and maturity of authorized denominations for a like aggregate principal amount.

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

The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the relevant Record Date to any interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen (15) days next preceding the mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. For as long as the Bonds are registered in the name of the Depository the standing of the registered owner to enforce any of the covenants herein may be established through the books and records of the Depository or a participant therein as herein provided.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

Section 8. Redemption. (a) Mandatory Redemption. If so provided in the Bond Order, any Bonds may be issued as Term Bonds and be subject to mandatory redemption, at a redemption price of par and accrued interest to the date fixed for redemption, to be selected by the Bond Registrar by lot in any reasonable manner, on May 1 of each of the years and in the principal amounts as shall be set forth in the Bond Order.

If the City redeems Term Bonds pursuant to optional redemption as hereinabove provided or purchases Term Bonds and cancels the same, then an amount equal to the principal amount of Term Bonds so redeemed or purchased shall be deducted from the mandatory redemption requirement for Term Bonds of such maturity in any order of years of such requirement as then remaining as may be determined by the City. The City shall provide the Bond Registrar with written notice of such reduction, which notice shall be given within 30 days after such redemption or purchase, and the Bond Registrar shall promptly give written notice of the same to the Bondholders, in the manner hereinafter provided.

(b) *Optional Redemption.* If so provided in the Bond Order, the Bonds may be subject to redemption prior to maturity at the option of the City as a whole, or in part in integral multiples of \$5,000 in any order of their maturity (less than all of the Bonds of a single maturity to be selected by lot by the Bond Registrar), on the dates and at the redemption prices as provided in the Bond Order, *provided however* that no Bond shall have a redemption price which

is in excess of 102% of principal amount redeemed, plus accrued interest to the date fixed for redemption.

Section 9. Redemption Procedure. The Bonds subject to redemption shall be identified, notice given, and paid and redeemed pursuant to the procedures as follows.

1. *Redemption Notice.* For a mandatory redemption of Term Bonds, the Bond Registrar shall proceed to redeem the Term Bonds without any further order or direction from the City whatsoever. For an optional redemption, the City shall, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount and maturities of Bonds to be redeemed.

2. *Selection of Bonds within a Maturity.* For purposes of any redemption of less than all of the Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar for the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided*, that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall make such selection (1) upon or prior to the time of the giving of official notice of redemption, or (2) in the event of a refunding or defeasance, upon advice from the City that certain Bonds have been refunded or defeased and are no longer Outstanding as defined.

3. *Official Notice of Redemption.* The Bond Registrar shall promptly notify the City in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be

redeemed. Unless waived by the registered owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class U.S. mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. All official notices of redemption shall include the name of the Bonds and at least the information as follows:

- (a) the redemption date;
- (b) the redemption price;
- (c) if less than all of the outstanding Bonds of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of Bonds within such maturity, the respective principal amounts) of the Bonds to be redeemed;
- (d) a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and
- (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office designated for that purpose of the Bond Registrar.

4. *Conditional Redemption.* Unless moneys sufficient to pay the optional redemption price of any Bonds to be redeemed shall have been received by the Bond Registrar prior to the giving of such notice of optional redemption, such notice may, at

the option of the City, state that said redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

5. *Bonds Shall Become Due.* Official notice of redemption having been given as described, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. The procedure for the payment of interest due as part of the redemption price shall be as herein provided for payment of interest otherwise due.

6. *Insufficiency in Notice Not Affecting Other Bonds; Failure to Receive Notice; Waiver.* Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a Bond, shall affect the sufficiency of such notice with respect to other registered owners. Notice having been properly given, failure of a registered owner of a Bond to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner of a Bond entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any

action taken in reliance upon such waiver. *In lieu of the foregoing official notice, so long as the Bonds are held in book entry form, notice may be given as provided in the Representation Letter, and the giving of such notice shall constitute a waiver by DTC and the book entry owner, as registered owner, of the foregoing notice. After giving proper notification of redemption to the Bond Registrar, as applicable, the City shall not be liable for any failure to give or defect in notice.*

7. *New Bond in Amount Not Redeemed.* Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of like tenor, of Authorized Denominations, of the same maturity, and bearing the same rate of interest in the amount of the unpaid principal.

8. *Effect of Nonpayment upon Redemption.* If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall become due and payable on demand, as aforesaid, but, until paid or duly provided for, shall continue to bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption.

9. *Bonds to Be Cancelled; Payment to Identify Bonds.* All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

10. *Additional Notice.* The City agrees to provide such additional notice of redemption as it may deem advisable at such time as it determines to redeem Bonds, taking into account any requirements or guidance of the Securities and Exchange

Commission, the Municipal Securities Rulemaking Board, the Government Accounting Standards Board, or any other federal or state agency having jurisdiction or authority in such matters; *provided, however,* that such additional notice shall be (1) advisory in nature, (2) solely in the discretion of the City (unless a separate agreement shall be made), (3) not be a condition precedent of a valid redemption or a part of the Bond contract, and (4) any failure or defect in such notice shall not delay or invalidate the redemption of Bonds for which proper official notice shall have been given. Reference is also made to the provisions of the Continuing Disclosure Undertaking of the City with respect to the Bonds, which may contain other provisions relating to notice of redemption of Bonds.

11. *Bond Registrar to Advise City.* As part of its duties hereunder, the Bond Registrar shall prepare and forward to the City a statement as to notices given with respect to each redemption together with copies of the notices as mailed.

Section 10. Form of Bonds. The Bonds shall be prepared in compliance with the National Standard Specifications for Fully Registered Municipal Securities, prepared by the American National Standards Committee. The Bonds, the certificate of authentication to be endorsed thereon and the form of assignment are all to be in substantially the following form:

No. _____

\$ _____

(FORM OF BOND - FACE)

UNITED STATES OF AMERICA

STATE OF ILLINOIS

COUNTIES OF OGLE AND LEE

CITY OF ROCHELLE

ELECTRIC SYSTEM REVENUE BOND, SERIES 2014

Interest	Maturity	Dated	
Rate: _____%	Date: May 1, 20__	Date: _____, 20__	CUSIP 771252 ____

Registered Owner: CEDE & CO.

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS that the City of Rochelle, Ogle and Lee Counties, Illinois (the “City”), for value received hereby promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date shown above the Principal Amount shown above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the date of this Bond or from the most recent interest payment date to which interest has been paid, whichever is later, at the Interest Rate per annum set forth above on May 1 and November 1 of each year, commencing _____, 20__, until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be and become applicable hereto. Subject to the provisions of any agreement by and between the City and the hereinafter named depository, principal of this Bond and premium, if any, are payable in lawful money of the United States of America at the office maintained for the purpose by The Bank of New York Mellon Trust Company, National Association, in Chicago, Illinois, as paying agent (the “*Paying Agent*”). Payment of the installments of interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois, as bond registrar (the “*Bond Registrar*”) at the close of business on the Record Date, and shall be paid by check or draft of the Paying Agent mailed to such Registered Owner at the address as it appears on such registration books, or at such other address furnished in writing by such Registered Owner to the Bond Registrar, or as otherwise agreed by the City and The Depository Trust Company, or successors or assigns, as depository, for as long as this Bond shall be held in book-entry only form. Payment by wire transfer is authorized as provided in the hereinafter defined Ordinance.

This Bond and the issue of which it forms a part (the “*Bond*” or “*Bonds*”) are being issued under the provisions of Division 4 of Article 8 and Division 119 of Article 11 of the

Illinois Municipal Code, as amended, and as supplemented by the Local Government Debt Reform Act, as amended, and the other Omnibus Bond Acts, as amended (collectively, the “Act”), to provide funds for the purpose of paying the costs of improving the electric system of the City (the “System”), and are payable, ratably and equally with certain heretofore issued and now outstanding Electric System Revenue Bonds, Series of 2005 (the “Series 2005 Bonds”), and Electric System Revenue Refunding Bonds, Series 2008 (the “Series 2008 Bonds”), of the City, solely from the Net Revenues derived from the operation of the System now owned and operated by said City, and are co-equal, as to the pledge of and lien on said Net Revenues securing the payment thereof, and share ratably without any preference, priority or distinction, the one over the other, as to the source or method of payment and security of said Bonds. The Bonds are also issued pursuant to an ordinance adopted by the Council of the City on the 25th day of August, 2014 (as supplemented by a Bond Order and Notification of Sale, the “Ordinance”), to all the provisions of which the registered owner of this Bond hereby consents.

THIS BOND AND THE SERIES OF WHICH IT IS ONE DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND THE TAXING POWER AND GENERAL CREDIT OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL HEREOF OR THE INTEREST HEREON.

Reference is hereby made to the further provisions of this Bond set forth on the reverse side hereof, and such further provisions shall for all purposes have the same effect as if set forth at this place.

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

IN WITNESS WHEREOF, the City of Rochelle, Ogle and Lee Counties, Illinois, by its Council, has caused this Bond to be executed with the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its City Clerk, and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as of the Dated Date shown above.

Mayor,
City of Rochelle,
Ogle and Lee Counties, Illinois

[SEAL]

Attest:

City Clerk,
City of Rochelle,
Ogle and Lee Counties, Illinois

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____, 20__

This Bond is one of the Bonds described in the within mentioned ordinance and is one of the Electric System Revenue Bonds, Series 2014, of the City of Rochelle, Ogle and Lee Counties, Illinois.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION,
as Bond Registrar,

By _____
Authorized Officer

* * *

(Form of Bond - Reverse Side)

**CITY OF ROCHELLE, OGLE AND LEE COUNTIES, ILLINOIS
ELECTRIC SYSTEM REVENUE BOND, SERIES 2014**

This Bond is one of an authorized issue of Bonds aggregating the principal amount of \$_____ (the "*Bonds*"), of which Bonds maturing on or after May 1, 20__, are subject to redemption prior to maturity at the option of the City as a whole, or in part in integral multiples of \$5,000 in any order of their maturity as determined by the City (less than all of the Bonds of a single maturity to be selected by lot by the Bond Registrar), on May 1, 20__, and on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption.

The Bonds due on May 1, 20__ are subject to mandatory redemption, at a redemption price of par and accrued interest to the date fixed for redemption, to be selected by the Bond Registrar by lot in any reasonable manner, on May 1 of each of the years and in the principal amounts set forth below:

YEAR	AMOUNT (\$)
------	-------------

Notice of any such redemption shall be sent by certified or first class mail not less than thirty days nor more than sixty days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the registration books of the City maintained by the Bond Registrar, or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar. When so called for redemption, this Bond will cease to bear interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time and shall not be deemed to be outstanding.

This Bond is transferable by the Registered Owner hereof in person or by its attorney duly authorized in writing at the office maintained for the purpose by the Bond Registrar in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denominations of the same interest rate and maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Bonds are issued in fully registered form in the denomination of \$5,000 each or authorized integral multiples thereof. This Bond may be exchanged at the office maintained for the purpose by the Bond Registrar for a like aggregate principal amount of Bonds of the same interest rate and maturity of other authorized denominations, upon the terms set forth in the Ordinance.

The City and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof, premium, if any, and interest due hereon, and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

Under the Act and the Ordinance, the Revenues derived from the operation of the System shall be deposited in a separate fund designated as the "*Electric Fund of the City of Rochelle*", which shall be used only and is hereby pledged for paying the cost of operation and maintenance of the System, providing an adequate depreciation fund, providing Net Revenues in each Fiscal Year in an amount equal to not less than 120% of the principal and interest requirements coming due during the then current year with respect to Outstanding Bonds and paying the principal of and interest on the Bonds of the City that are payable by their terms only from the revenues of the System.

The City reserves the right to issue additional bonds ("*Parity Bonds*") payable from the Net Revenues of the System on a complete parity with this Bond and the series of Bonds of which it is one, and with the Series 2005 Bonds and the Series 2008 Bonds, in accordance with and subject to the covenants, limitations, conditions and restrictions contained in the Ordinance, to which Ordinance reference is hereby made for more complete and full particulars concerning the provisions for the security and payment of the Bonds authorized thereunder and all Parity Bonds.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have been done and have happened and have been performed in regular and due form of law, and that provision has been made for depositing in the Fund the revenues received from the operation of the System to be applied in the manner as hereinabove set forth, and the City hereby covenants and agrees that it will fix and maintain rates for the use and service of the System, sufficient at all times (i) to pay the cost of operation and maintenance of the System, (ii) to provide an adequate depreciation fund, and (iii) to provide Net Revenues in each Fiscal Year in an amount equal to not less than 120% of the principal and interest requirements coming due during the then current year with respect to the Outstanding Bonds, and that it will comply with the covenants of the Ordinance.

* * *

ASSIGNMENT

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

(Name and Address of Assignee)

the within Bond, and rights thereunder, and does hereby irrevocably constitute and appoint _____, as attorney to transfer the said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

* * *

Section 11. Pledge of Revenues. The Net Revenues are hereby pledged to the payment of the principal of and the interest on the Outstanding Bonds, and the Outstanding Bonds shall be secured by a prior and paramount pledge of and lien on the Net Revenues. All of the Outstanding Bonds shall be equally and ratably secured by said pledge and lien without priority or preference one over the other by reason of series designation, date of issue, purpose of issue, number, maturity, terms of redemption prior to maturity, date of sale or delivery, or otherwise.

Section 12. Fund and Accounts. All of the Revenues shall be set aside as collected and be deposited into the Fund, which is hereby expressly continued, and all moneys and Investment Earnings shall be used solely and only for paying Operation and Maintenance Costs, providing an adequate depreciation fund, paying the principal of and interest on all revenue bonds of the City which by their terms are payable solely from the Revenues, and providing for the establishment of and expenditure from the respective accounts as hereinafter described. There shall be and there are hereby created the following separate Accounts in the Fund, into which

there shall be transferred the amounts on deposit in the respective accounts heretofore established in the Fund and expressly continued hereby, said amounts to be transferred to each similar account hereinafter named as necessary to make the required beginning credits to the same. Thereafter there shall be credited to each Account on or before the first business day of each month by the financial officer of the City or the General Manager of the System, as appropriate, without any further direction or official action, in the order in which said Accounts are maintained, all moneys held in the Fund, in accordance with the following provisions:

(a) *Operation and Maintenance Account:*

There shall be credited to the Operation and Maintenance Account an amount sufficient, when added to the amount then on deposit in said Account, to establish a balance to an amount not less than the amount necessary to pay Operation and Maintenance Costs for the then current month.

Amounts in said Account shall be used to pay Operation and Maintenance Costs.

(b) *Bond and Interest Account:*

There next shall be credited to the Bond and Interest Account and held, in cash and investments, a fractional amount of the interest becoming due on the next succeeding interest payment on all Outstanding Bonds and also a fractional amount of the principal becoming due on the next succeeding principal maturity or mandatory redemption date of all of the Outstanding Bonds until there shall have been accumulated and held, in cash and investments, in the Bond and Interest Account on or before the first day of the month preceding such mandatory redemption date or maturity date of interest or maturity date of principal, an amount sufficient to pay such principal or interest, or both.

In computing the fractional amount to be so set aside each month in the Bond and Interest Account, the fraction shall be so computed that a sufficient amount will be set aside in said Account and will be available for the prompt payment of such principal of and interest on all Outstanding Bonds and shall be not less than one-fifth of the interest becoming due on the next succeeding interest payment date and not less than one-tenth of the principal becoming due on the next succeeding principal payment or mandatory redemption date on all Outstanding

Bonds until there is sufficient money in said Account to pay such principal or interest, or both.

Credits to the Bond and Interest Account may be suspended in any Fiscal Year at such time as there shall be a sufficient sum, held in cash and investments, in said Account to meet principal and interest requirements in said Account for the balance of such Fiscal Year, but such credits shall again be resumed at the beginning of the next Fiscal Year.

All moneys in said Account shall be used only for the purpose of paying interest on, premium (if any) and principal of Outstanding Bonds.

(c) *Bond Reserve Account:*

Upon the delivery of the Bonds, there shall be deposited to the Bond Reserve Account an amount sufficient to establish a credit balance therein equal to Maximum Annual Debt Service.

After the balance to the credit of said Account shall equal Maximum Annual Debt Service as hereinabove provided, no additional funds shall be credited to said Account, except that when any money is paid out of and charged to said Account, credits to said Account shall be made each month such that within twenty-four (24) months of the date of such withdrawal the balance to the credit of such Account shall have been restored to an amount equal to Maximum Annual Debt Service. Any excess in said Account over the amount of Maximum Annual Debt Service shall be transferred to the Depreciation, Improvement and Extension Account, the Capital Improvement Account or the Surplus Account as hereinafter provided.

Amounts to the credit of the Bond Reserve Account shall be used to pay principal of or interest and applicable premium on the Outstanding Bonds at any time when there are insufficient funds available in the Bond and Interest Account to pay the same.

The City hereby expressly reserves the right to deposit to the Bond Reserve Account a Reserve Account Insurance Policy (as hereinafter defined) in such amount or amounts it may reasonably deem prudent. To the extent that there shall be deposited into the Bond Reserve Account a Reserve Account Insurance Policy, such Reserve Account Insurance Policy shall be payable (upon the giving of notice as required hereunder) on any interest or principal payment date on which a deficiency exists; *provided, however,* that prior to any drawing on such Reserve Account Insurance Policy, the City shall first satisfy any such deficiency from the funds on deposit in the Bond Reserve Account and available for such purpose, if any.

“Reserve Account Insurance Policy” shall mean the insurance policy or surety bond deposited in the Bond Reserve Account in lieu of or in partial substitution for cash to be on deposit therein. The insurance issuer providing such insurance policy or surety bond shall be an insurer which, at the time of issuance of the policy, has been rated one of the top two policyholder ratings then accorded insurers by Moody’s Investors Service and Standard & Poor’s Corporation, respectively (the “Insurance Issuer”); *provided however*, that if the Series 2005 Bonds or Series 2008 Bonds are outstanding, the Insurance Issuer has been rated the highest policyholder rating by Moody’s Investors Service and Standard & Poor’s Corporation, respectively. In such case there shall be an agreement, which may be titled Financial Guaranty Agreement (“Financial Guaranty Agreement”) between the City and the Insurance Issuer pursuant to which the terms of the issuance of the Reserve Account Insurance Policy are set forth.

Whenever there is on deposit in the Bond Reserve Account an amount in excess of the Reserve Requirement, the amount of such excess may be reduced at the option of the City in either of the following manners: (a) if there is on deposit in the Bond Reserve Account a Reserve Account Insurance Policy, the face amount thereof may be reduced by the amount of such excess in accordance with the terms of the policy or (b) if such excess is evidenced by moneys and investments, an amount equal to such excess shall be withdrawn from the Bond Reserve Account and transferred as provided hereunder.

If the City shall issue Parity Bonds as hereinafter provided, then upon the issuance of such Parity Bonds there shall be deposited to the Bond Reserve Account an amount sufficient to establish a credit balance therein equal to Maximum Annual Debt Service, calculated for all then Outstanding Bonds and the Parity Bonds to be issued; *provided, however*, that the City reserves the right to comply with the provisions of the Code as may then be relevant to ensure that such deposit does not impair the Tax Exempt status of the Bonds or of any such Parity Bonds issued on a Tax Exempt basis. For the purpose of such computation, the amount of Bonds required to be redeemed pursuant to any schedule for mandatory redemption shall be treated as falling due on the date required to be redeemed and not on the stated maturity date.

(d) *Depreciation, Improvement and Extension Account:*

There shall next be credited to the Depreciation, Improvement and Extension Account and held, in cash and investments, the sum of \$20,000 in each month, provided that no deposit to the Depreciation, Improvement and Extension Account shall be required if the amount then held in said Account equals or exceeds the Depreciation Requirement.

Amounts to the credit of said Account shall be used first to provide an adequate allowance for depreciation as shall be determined from time to time by the Corporate Authorities, or if not so needed, may be used from time to time to pay for any extraordinary maintenance, repairs and necessary replacements, or for improvements or extensions of the System. Said funds shall be used at any time to pay principal of, premium (if any) or interest on any Outstanding Bonds whenever there are no other funds available to pay the same.

Whenever an amount is withdrawn from such Account for any of the purposes described above, such amount shall be reimbursed in one hundred eighty (180) equal installments, which deposits shall be in addition to, and not inclusive of, the \$20,000 monthly deposits required at any time the balance to the credit of this Account is less than the Depreciation Requirement. Money to the credit of said Depreciation, Improvement and Extension Account in excess of the Depreciation Requirement may, at the sole discretion and direction of the Corporate Authorities, be transferred to the Capital Improvement Account.

(e) *Capital Improvement Account:*

There shall next be credited to the Capital Improvement Account and held, in cash and investments, the sum of \$120,000 in each month, provided that no deposit to the Capital Improvement Account shall be required if the amount then held in said Account equals or exceeds the amount of \$1,500,000.

Amounts to the credit of said Account shall be used first to pay for anticipated capital improvements and repairs to or extensions of the System and any extraordinary repairs or replacements that may arise during the course of any Fiscal Year. Said funds shall be used at any time to pay principal of, premium (if any) or interest on any electric revenue bonds outstanding whenever there are no other funds available to pay the same.

Money to the credit of said Capital Improvement Account in excess of \$1,500,000 may, at the sole discretion and direction of the Corporate Authorities, be transferred to the Surplus Account.

(f) *Surplus Account:*

All moneys remaining in the Fund, after crediting the required amounts to the respective accounts hereinabove provided for, and after making up any deficiency in the accounts described in subsections (a) to (e), inclusive, shall be credited each month to the Surplus Account. Moneys in the Surplus Account shall first be used to make any necessary transfers to any

rebate fund established by the City in accordance with the Tax Certificate (the "*Rebate Fund*"), secondly shall be used to make up any subsequent deficiencies in any of the accounts hereinabove named, thirdly shall be used for the purpose of paying principal of and interest on subordinate or junior lien bonds or obligations issued for the purpose of acquiring or constructing repairs, replacements, or improvements or extensions to the System (which such bonds or obligations are hereby expressly authorized to be issued payable from the Surplus Account), and fourthly, at the discretion of the Corporate Authorities, shall be used for one or more of the following purposes without any priority among them:

- (1) For the purpose of constructing or acquiring repairs, replacements, or improvements to the System; or
- (2) For the purpose of calling and redeeming Outstanding Bonds which are callable at the time; or
- (3) For the purpose of purchasing Outstanding Bonds, *provided, however,* that no Bond then subject to optional redemption prior to maturity shall be purchased at a price in excess of its then applicable redemption price, plus accrued interest to the date of purchase; or
- (4) For transfer to the corporate fund of the City in an amount not exceeding 5.00% of the Revenues of the System for each Fiscal Year to be used for any lawful corporate purpose; or
- (5) For any other lawful System purpose.

(g) *Excess over Requirements:*

Any amounts to the credit of the Accounts in excess of the then current requirement therefor may be transferred by the Corporate Authorities to such other Account or Accounts of the Fund as they may in their sole discretion designate.

Section 13. Investment of Funds. Moneys to the credit of the Fund prior to the monthly accounting may be invested in Permitted Investments, *provided, however,* that moneys to the credit of the Bond and Interest Account, Bond Reserve Account and Depreciation, Improvement and Extension Account may be invested from time to time solely and only in (i) interest-bearing bonds, notes, or other direct full faith and credit obligations of the United States of America, (ii) obligations unconditionally guaranteed as to both principal and interest by the United States

of America, or (iii) certificates of deposit or time deposits of any bank, as defined by the Illinois Banking Act, provided such bank is insured by the Federal Deposit Insurance Corporation or a successor corporation to the Federal Deposit Insurance Corporation, and provided further that the principal of such deposits in excess of the insured amount is secured by a pledge of obligations as described in clauses (i) and (ii) above in the full principal amount of such excess. Such investments may be sold from time to time by the City as funds may be needed for the purpose for which said respective accounts have been created. To the extent moneys in said Accounts as described in this paragraph are held uninvested and on deposit in demand accounts, such amounts shall be added to the amount invested pursuant to clause (iii) above and the sum so derived subject to the limitations as set forth therein.

Investments in the Accounts shall mature or be subject to redemption at the option of the holder thereof prior to the time when needed, and, in any event, within the times as follows:

ACCOUNT	TIME
Operation and Maintenance	180 days
Bond and Interest	1 year
Bond Reserve	10 years
Depreciation, Improvement and Extension	5 years
Capital Improvement Account	2 years
Surplus	180 days

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

Investment Earnings in the Bond and Interest Account shall first be credited to the Rebate Fund to the extent required and next be transferred to the Fund. Investment Earnings in the Bond Reserve Account shall first be credited to the Rebate Fund to the extent required, next be

credited to and held in the Bond Reserve Account so long as the credit balance in such Account is less than Maximum Annual Debt Service, and next be transferred to the Depreciation, Improvement and Extension Account. All other Investment Earnings on the hereinabove established Accounts of the Fund shall be credited to the Fund. All credits of Investment Earnings to the Fund are hereby deemed and allocated as expended with the next expenditures of money from the Fund.

Section 14. General Covenants. The City covenants and agrees with the registered owners from time to time of the Outstanding Bonds as follows:

(A) *Operation and Maintenance*

The City will maintain the System in good repair and working order, will operate it efficiently and will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Illinois; and, in order to assure the efficient management and operation of the System and to assure the registered owners from time to time of the Outstanding Bonds that same will be operated on sound business principles, will employ competent and experienced management for the System, will use its best efforts to see that the System is at all times operated and maintained in first class repair and condition, and in such manner that the operating efficiency thereof shall be of the highest character, and will use its best efforts to see that the cost of such operation and maintenance is at no time in excess of the Revenues reasonably available for the payment thereof.

(B) *Rate Covenant*

The City will charge and collect sufficient rates for the services supplied by the System (i) to pay the cost of operation and maintenance of the System, (ii) to provide an adequate depreciation fund, and (iii) to provide Net Revenues in each Fiscal Year in an amount equal to not less than 120% of the principal and interest requirements coming due during the then current year with respect to the Outstanding Bonds. The City will not permit free service to be supplied by the System to the City or any department thereof, or to any person, firm or corporation, public or private, or to any public agency or instrumentality, and, to the extent permitted by law, will not grant a franchise or permit the operation of any competing electric system in said City.

The reasonable cost and value of all service rendered to the City and its various departments by the System, shall be charged against the City and will be paid for as the service accrues from the City's current funds. All payments so made shall be considered Revenues of the System and shall be applied in the manner hereinabove provided for the application of the Revenues of the System.

(C) *Records and Audit*

The City will cause to be kept proper books of record and account covering the operation of the System in accordance with standard accounting practices and procedures customarily used for systems of similar nature, and will cause such books to be audited annually by an independent certified public accountant or firm of accountants within two hundred ten (210) days after the close of each Fiscal Year. Said audit report will show in reasonable detail the Revenues and expenditures of the System for such year, the amounts in the hands of its depositaries, a schedule of all insurance in force, and the number of customers of the System at the close of such year. Said audit report shall be available for inspection upon request by the holders of any of the Outstanding Bonds. At least quarterly a statement of the Revenues and expenditures of the System for such period shall be submitted to the Council and shall be available for inspection upon request by the holders of any of the Outstanding Bonds.

(D) *Insurance*

The City will take out and maintain or otherwise provide for insurance on the System of the kinds and in the amounts which are usually carried by private companies operating similar properties. All moneys received for losses under such insurance policies, other than public liability policies, are hereby pledged by the City as security for all Outstanding Bonds until and unless such proceeds are paid out or obligated making good the loss or damage in respect of which such proceeds are received, either by repairing the property damaged or replacing the property destroyed, and adequate provision for making good such loss and damage made within ninety (90) days from the date of the loss, or, in the event the destroyed property is no longer useful in the operation of the System, the proceeds of the insurance shall be deposited in the Fund.

(E) *Budget*

Prior to the expiration of any Fiscal Year, the Corporate Authorities will adopt an annual budget for the operation and maintenance of the System for the ensuing Fiscal Year, showing the estimated receipts and expenditures of all Revenues to be derived from the operation of the System for said Fiscal Year in accordance with accepted principles of accounting.

(F) *Title to System*

The City has good and marketable title to all properties, real, personal and mixed, of the System, and will not sell or in any manner encumber or dispose of the System, or any substantial part thereof, until all of the Outstanding Bonds have been paid in full as to both principal and interest; *provided*, that this covenant shall not be construed to prevent the disposal by the City of real or personal property which is no longer useful or necessary to the operation of the System.

(G) *Construction of Improvements*

The City will commence and complete the acquisition and construction of the improvements and extensions for which the Bonds are herein authorized with all practical dispatch, and will cause all acquisition and construction to be effected in sound and economical manner.

(H) *Taxes and Claims*

The City will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges, if any, lawfully imposed upon the System, or any part thereof, or upon the Revenues, as well as any lawful claims for labor or materials supplied, which if unpaid might by law become a lien or charge upon the System, or any part thereof, or the Revenues, or which might impair the security of the Bonds.

(I) *Bondholders Remedies*

In the event the City defaults in complying with any covenant contained in this Ordinance, any registered owner of any Outstanding Bond, or the issuer of a municipal bond insurance policy covering any Outstanding Bond, may proceed by civil action to compel the officials of the City to perform all duties required by law and by this Ordinance, including the making and collecting of sufficient charges for the services of the System and the application and segregation of all Revenues therefrom in accordance with the requirements of this Ordinance.

Section 15. Additional Bonds. The City will issue no other Bonds or obligations of any kind or nature payable from or enjoying a lien on the Net Revenues having a priority over the Bonds; *provided, however,* that Parity Bonds may hereafter be issued upon compliance with one of the options (a) through (c) set out below:

- (a) Parity Bonds may be issued for the purpose of paying the cost of repairs, replacements, renewals, improvements and extensions to the System or for refunding outstanding Bonds upon compliance with the following conditions:
 - (i) The amounts required to be credited monthly to the respective accounts described in Section 12 of this Ordinance must have been credited in full up to the date of the delivery of such Parity Bonds;
 - (ii) The Net Revenues of the System for the last completed Fiscal Year prior to the issuance of the Parity Bonds (as shown by the audit of an independent certified public accountant), or the adjusted Net Revenues of the System for such year (as provided in subsection (iii) hereof) must equal at least 125% of Maximum Annual Debt Service computed immediately after the issuance of the proposed Parity Bonds, but only for those Fiscal Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding Bonds.
 - (iii) Net Revenues of the System may be adjusted as follows:
 - (A) In the event there shall have been an increase in the rates of the System from the rates in effect for the preceding Fiscal Year, which increase is in effect at the time of the issuance of any such Parity Bonds, the Net Revenues as described hereinabove may be adjusted to reflect the Net Revenues of the System for the immediately preceding Fiscal Year as they would have been had such new rates been in effect during all of said Fiscal Year.
 - (B) Any such adjustment shall be evidenced by the certificate of an independent consulting engineer or an independent certified public accountant employed for that purpose, which certificate shall be filed with and approved by the Corporate Authorities prior to the issuance of the proposed Parity Bonds.
- (b) Parity Bonds may be issued to refund Outstanding Bonds if the Parity Bonds so issued (i) do not exceed the principal amount of the Outstanding Bonds to be refunded, (ii) do not bear interest at a rate in excess of the Outstanding Bonds to

be refunded, and (iii) do not mature earlier than any Outstanding Bonds not to be refunded.

- (c) Parity Bonds may be issued to refund Outstanding Bonds in order to avoid default in the payment of principal of or interest on Outstanding Bonds; *provided*, they are issued to avoid such default within three months of the date thereof.

All bonds issued under this Section 15 shall mature as to principal on May 1 and as to interest on May 1 and/or November 1.

Section 16. Sale of Bonds. The Designated Officers are hereby authorized to proceed, without any further authorization or direction whatsoever from the Council, to sell and deliver the Bonds upon the terms as prescribed in this Section. The Bonds shall be sold and delivered to the Purchaser at the Purchase Price, plus accrued interest to the date of delivery, if any. Such sale shall be made upon the advice (in the form of a written certificate or report) of the Underwriter that the terms of the Bonds are fair and reasonable in view of current conditions in the bond markets. Nothing in this Section shall require the Designated Officers to sell any of the Bonds if in their judgment, aided by the Underwriter, the conditions in the bond markets shall have deteriorated from the time of adoption thereof or the sale of all or any portion of the Bonds shall for some other reason not be deemed advisable, but the Designated Officers shall have the authority to sell the Bonds in any event so long as the limitations set forth in this Ordinance and the conditions of this Section shall have been met. As a further exercise of this authority, the Designated Officers may sell the Bonds in more than one series; and, in such event, shall be authorized to change the name of the Bonds for each such series so that such series may properly be identified separately. Further, in such event, the provisions for registration, redemption and exchange of Bonds shall be read as applying to Bonds only of each series, respectively, and not as between series. Upon the sale of the Bonds or any series of the Bonds, the Designated Officers and any other officers of the City as shall be appropriate, shall be and are hereby authorized and directed to approve or execute, or both, such documents of sale of the Bonds as

may be necessary, including, without limitation, one or more Bond Orders, a Preliminary Official Statement, an Official Statement, one or more Bond Purchase Contracts (as hereinafter defined), one or more tax agreement and certificates as prepared by Bond Counsel (each, a "*Tax Certificate*"), and closing documents. The Designated Officers must find and determine in any Bond Order that no person holding any office of the City either by election or appointment, is in any manner financially interested either directly, in his or her own name, or indirectly in the name of any other person, association, trust or corporation in the relevant Bond Purchase Contract with the relevant Purchasers for the purchase of the Bonds referenced in said Bond Order. The distribution of the Preliminary Official Statement relating to the Bonds is hereby in all respects authorized and approved, and the proposed use by the Purchasers of an Official Statement (in substantially the form of the Preliminary Official Statement but with appropriate variations to reflect the final terms of the Bonds) is hereby approved. The Designated Officers shall execute a bond purchase contract for the sale of each series of Bonds to the Purchaser (each a "*Bond Purchase Contract*") in the form approved by the attorney for the City, without further direction from or official action by the Corporate Authorities.

Upon any sale of the Bonds, the Designated Officers shall prepare a Bond Order, which shall include the pertinent details of sale as provided herein, and such shall be entered into the records of the City and made available to the President and Board of Trustees at the next public meeting thereof. The authority granted in this Ordinance to the Designated Officers to sell Bonds as provided herein shall expire on February 1, 2015.

The Designated Officers are hereby authorized to take any action as may be required on the part of the City to consummate the transactions contemplated by the Purchase Contracts, this Ordinance, said Preliminary Official Statement, said final Official Statement, the Tax Certificates and the Bonds.

Section 17. Use of Proceeds and Expense Fund. The proceeds derived from the sale of the Bonds shall be used as follows:

- (a) Accrued interest together with capitalized interest, if any, shall be credited to the Bond and Interest Account.
- (b) The amount necessary shall be deposited to an Expense Fund to pay expenses of issuance. Disbursements for expenses shall be made from time to time as necessary. Any excess in said fund shall be paid into the Bond Fund after three months from the date of issuance of the Bonds.
- (c) The sum necessary shall be deposited to the Bond Reserve Account.
- (d) The balance of the principal proceeds derived from the sale of the Bonds shall be deposited in a separate fund hereby created and designated as the "Electric Project Fund" (the "*Project Fund*"); and disbursements shall be made from the Project Fund only for the purposes for which the Bonds are being issued and for which the principal proceeds are hereby appropriated.

Within sixty (60) days after full depletion of the Project Fund or payment of all costs of the Project, as herein referred to, and as heretofore approved by the Corporate Authorities, the Treasurer shall certify to the Corporate Authorities the fact of such depletion or the engineer in responsible charge of the Project shall certify to the Corporate Authorities the fact that the work has been completed according to approved plans and specifications, as applicable, and upon approval of such certification by the Corporate Authorities, funds (if any) remaining in the Project Fund shall be transmitted to the Treasurer, and said Treasurer shall direct the credit said funds to the Bond Reserve Account, or, if such account is fully funded, to the Depreciation, Improvement and Extension Account or the Capital Improvement Account, and the Project Fund shall be closed.

Section 18. General Tax Covenants. The City hereby covenants that it will not take any action, omit to take any action, or permit the taking or omission of any action, within its control (including, without limitation, making or permitting, any use of the proceeds of the Bonds) if taking, permitting, or omitting to take such action would cause any of the Bonds to be an

arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause the interest on the Bonds to be included in the gross income of the recipients thereof for federal income tax purposes. The City acknowledges that, in the event of an examination by the Internal Revenue Service of the exemption from Federal income taxation for interest paid on the Bonds, under present rules, the City may be treated as the “taxpayer” in such examination and agrees that it will respond in a commercially reasonable manner to any inquiries from the Internal Revenue Service in connection with such an examination. In furtherance of the foregoing provisions, but without limiting their generality, the City agrees: (a) through its officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to comply with all representations, covenants, and assurances contained in certificates or agreements as may be prepared by counsel approving the Bonds; (c) to consult with such counsel and to comply with such advice as may be given; (d) to file such forms, statements, and supporting documents as may be required and in a timely manner; and (e) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the City in such compliance.

Section 19. Certain Specific Tax Covenants.

A. None of the Bonds shall be a “private activity bond” as defined in Section 141(a) of the Code; and the City certifies, represents, and covenants as follows:

(1) Not more than 5% of the net proceeds of the Bonds is to be used in any trade or business carried on by any person other than a state or local governmental unit.

(2) Not more than 5% of the amounts necessary to pay the principal of and interest on the Bonds will be derived, directly or indirectly, from payments with respect to any Private Business Use.

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

(4) No user of the infrastructure of the City to be improved as part of the Project, other than the City or another governmental unit, will use the same on any basis other than the same basis as the general public; and no person, other than the City or another governmental unit, will be a user of such infrastructure as a result of (i) ownership or (ii) actual or beneficial use pursuant to a lease, a management or incentive payment contract other than as expressly permitted by the Code, or (iii) any other arrangement.

B. The Bonds shall not be “arbitrage bonds” under Section 148 of the Code; and the City certifies, represents, and covenants as follows:

(1) With respect to the Project, the City has heretofore incurred or within six months after delivery of the Bonds expects to incur substantial binding obligations to be paid for with money received from the sale of the Bonds, said binding obligations comprising binding contracts for the Project in not less than the amount of 5% of the proceeds of the Bonds allocable to the Project.

(2) More than 85% of the proceeds of the Bonds allocable to the Project will be expended on or before three years for the purpose of paying the costs of the Project.

(3) All of the principal proceeds of the Bonds allocable to the Project and investment earnings thereon will be used, needed, and expended for the purpose of paying the costs of the Project including expenses incidental thereto.

(4) Work on the Project is expected to proceed with due diligence to completion.

(5) Except for the Bond Fund, the City has not created or established and will not create or establish any sinking fund, reserve fund, or any other similar fund to provide for the payment of the Bonds. The Bond Fund has been established and will be funded in a manner primarily to achieve a proper matching of revenues and debt service, and will

be collectively depleted at least annually to an amount not in excess of 1/12 the particular annual debt service on the Bonds. Money deposited therein will be spent within a 13-month period beginning on the date of deposit, and investment earnings therein will be spent or withdrawn within a one-year period beginning on the date of receipt.

(6) Amounts of money related to the Bonds required to be invested at a yield not materially higher than the yield on the Bonds, as determined pursuant to such tax certifications or agreements as the City officers may make in connection with the issuance of the Bonds, shall be so invested; and appropriate City officers are hereby authorized to make such investments.

(7) Unless an applicable exception to Section 148(f) of the Code, relating to the rebate of “excess arbitrage profits” to the United States Treasury (the “*Rebate Requirement*”) is available to the City, the City will meet the Rebate Requirement.

(8) Relating to applicable exceptions, any City officer charged with issuing the Bonds is hereby authorized to make such elections under the Code as such officer shall deem reasonable and in the best interests of the City.

(9) The financial officer of the City shall, not less frequently than annually, cause to be determined the accrued liability under the Rebate Requirement. Said officer shall cause to be paid to the United States Treasury, without further order or direction from the City Council, from time to time as required, amounts sufficient to meet the Rebate Requirement.

C. None of the proceeds of the Bonds will be used to pay, directly or indirectly, in whole or in part, for an expenditure that has been paid by the City prior to the date hereof, except for expenditures for which an intent to reimburse it as properly declared under Treasury Regulations Section 1.150-2.

D. The City recognizes that Section 149(a) of the Code requires the Bonds to be issued and to remain in fully registered form in order to be and remain Tax Exempt. In this connection, the City agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form

E. The City reserves the right to use or invest moneys in connection with the Bonds in any manner or to use the facilities or infrastructure acquired, constructed, or improved with proceeds of the Bonds in any manner, notwithstanding the representations and covenants in (Sections 18 and 19 of) this Ordinance, *provided* it shall first have received an opinion from Bond Counsel to the effect that use or investment of such moneys or the changes in or use of such infrastructure as contemplated are proper under applicable law and will not result in loss or impairment of Tax Exempt status for the Bonds.

Section 20. Designation of Bonds. All or a portion of the Bonds may be issued as “bank qualified bonds” in an amount or amounts not to exceed \$10,000,000 per calendar year of issuance as set forth in the Bond Order (collectively, the “*BQ Bonds*”). The BQ Bonds are designated as “qualified tax-exempt obligations” for the purposes and within the meaning of Section 265(b)(3) of the Code.

Section 21. Defeasance. Whenever the following conditions shall exist, namely:

A. All Bonds theretofore authenticated and delivered have been cancelled or delivered to the Bond Registrar for cancellation, excluding, however:

(i) Bonds for the payment of which money has theretofore been deposited in trust with the Paying Agent or a similar institution having fiduciary powers;

(ii) Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid, except for any such Bond which, prior to the satisfaction and discharge of this Ordinance, has been presented to the City with a valid claim of ownership and enforceability by the holder thereof and where enforceability has not been determined adversely against such holder by a court of competent jurisdiction; and

(iii) Bonds, other than those referred to in the foregoing clauses, for whose payment or redemption (under appropriate arrangements for the giving of notice of redemption) the City has deposited with a bank with trust powers or trust company having capital and surplus in excess of \$10,000,000, in trust or escrow, funds or direct full faith and credit obligations of the United States of America (or trust certificates evidencing an ownership interest therein), the principal of and interest on which will be sufficient, as determined by the report of an independent certified public accountant, to pay and discharge the entire obligation on such Bonds for principal and premium, as the case may be, and interest to the date of maturity accompanied by an opinion of counsel nationally recognized as competent in matters relating to Tax Exempt bonds that such provision for payment and discharge does not cause the interest on the Bonds to become subject to federal income taxation.

B. The City has paid or caused to be paid all other sums hereunder payable by the City.

C. The City has received an opinion of counsel stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Ordinance have been satisfied.

Then, this Ordinance and the lien, rights and interests created hereby shall cease, determine and become null and void (except as to any surviving rights of transfer or exchange of Bonds herein or therein provided for).

Section 22. Continuing Disclosure Undertaking. The Designated Officers are hereby authorized, empowered and directed to execute and deliver the Continuing Disclosure Undertaking in customary form as provided by Bond Counsel, or with such changes therein as the individual executing the Continuing Disclosure Undertaking on behalf of the City shall approve, his or her execution thereof to constitute conclusive evidence of his or her approval of such changes. When the Continuing Disclosure Undertaking is executed and delivered on behalf of the City as herein provided, the Continuing Disclosure Undertaking will be binding on the City and the officers, employees and agents of the City, and the officers, employees and agents of the City are hereby authorized, empowered and directed to do all such acts and things and to

execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this Ordinance, the sole remedies for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Undertaking.

Section 23. Provisions a Contract. The provisions of this Ordinance shall constitute a contract between the City and the holders and registered owners from time to time of the Outstanding Bonds; and no changes, additions, or alterations of any kind shall be made hereto, except as herein provided, so long as there are any Outstanding Bonds.

Section 24. Municipal Bond Insurance. In the event the payment of principal of and interest on the Bonds is insured pursuant to a municipal bond insurance policy (a “*Municipal Bond Insurance Policy*”) issued by a bond insurer (a “*Bond Insurer*”), and as long as such Municipal Bond Insurance Policy shall be in full force and effect, the City and the Bond Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of the Bonds, subrogation of the rights of the Bondholders to the Bond Insurer when holding Bonds, amendment hereof, or other terms, as approved by the Mayor on advice of counsel, his or her approval to constitute full and complete acceptance by the City of such terms and provisions under authority of this Section.

Section 25. Record-Keeping Policy and Post-Issuance Compliance Matters. It is necessary and in the best interest of the City to maintain sufficient records to demonstrate compliance with its covenants and expectations to ensure the appropriate federal tax status for the Bonds and other debt obligations of the City, the interest on which is excludable from “gross income” for federal income tax purposes or which enable the City or the holder to receive federal

tax benefits, including, but not limited to, qualified tax credit bonds and other specified tax credit bonds (including the Bonds, the “*Tax Advantaged Obligations*”). Further, it is necessary and in the best interest of the City that (i) the Corporate Authorities adopt policies with respect to record-keeping and post issuance compliance with the City’s covenants related to its Tax Advantaged Obligations and (ii) the Compliance Officer (as hereinafter defined) at least annually review the City’s Contracts (as hereinafter defined) to determine whether the Tax Advantaged Obligations comply with the federal tax requirements applicable to each issue of the Tax Advantaged Obligations. The Corporate Authorities hereby adopt the following Record-Keeping Policy:

(a) *Compliance Officer is Responsible for Records.* The Treasurer of the City (the “*Compliance Officer*”) is hereby designated as the keeper of all records of the City with respect to each issue of the Tax Advantaged Obligations, and such officer shall report to the Corporate Authorities at least annually that he/she has all of the required records in his/her possession, or is taking appropriate action to obtain or recover such records.

(b) *Closing Transcripts.* For each issue of Tax Advantaged Obligations, the Compliance Officer shall receive, and shall keep and maintain, a true, correct and complete counterpart of each and every document and agreement delivered in connection with the issuance of the Tax Advantaged Obligations, including without limitation (i) the proceedings of the City authorizing the Tax Advantaged Obligations, (ii) any offering document with respect to the offer and sale of the Tax Advantaged Obligations, (iii) any legal opinions with respect to the Tax Advantaged Obligations delivered by any lawyers, and (iv) all written representations of any person delivered in connection with the issuance and initial sale of the Tax Advantaged Obligations.

(c) *Arbitrage Rebate Liability.* The Compliance Officer shall review the agreements of the City with respect to each issue of Tax Advantaged Obligations and shall prepare a report for the Corporate Authorities stating whether or not the City has any rebate liability to the United States Treasury, and setting forth any applicable exemptions that each issue of Tax Advantaged Obligations may have from rebate liability. Such report shall be updated annually and delivered to the Corporate Authorities.

(d) *Recommended Records.* The Compliance Officer shall review the records related to each issue of Tax Advantaged Obligations and shall determine what requirements the City must meet in order to maintain the tax-exemption of interest paid

on its Tax Advantaged Obligations, its entitlement to direct payments by the United States Treasury of the applicable percentages of each interest payment due and owing on its Tax Advantaged Obligations, and applicable tax credits or other tax benefits arising from its Tax Advantaged Obligations. The Compliance Officer shall then prepare a list of the contracts, requisitions, invoices, receipts and other information that may be needed in order to establish that the interest paid on the Tax Advantaged Obligations is entitled to be excluded from “gross income” for federal income tax purposes, that the City is entitled to receive from the United States Treasury direct payments of the applicable percentages of interest payments coming due and owing on its Tax Advantaged Obligations, and the entitlement of holders of any Tax Advantaged Obligations to any tax credits or other tax benefits, respectively. Notwithstanding any other policy of the City, such retained records shall be kept for as long as the Tax Advantaged Obligations relating to such records (and any obligations issued to refund the Tax Advantaged Obligations) are outstanding, plus three years, and shall at least include:

(i) complete copies of the transcripts delivered when any issue of Tax Advantaged Obligations is initially issued and sold;

(ii) copies of account statements showing the disbursements of all Tax Advantaged Obligation proceeds for their intended purposes, and records showing the assets and other property financed by such disbursements;

(iii) copies of account statements showing all investment activity of any and all accounts in which the proceeds of any issue of Tax Advantaged Obligations has been held or in which funds to be used for the payment of principal of or interest on any Tax Advantaged Obligations has been held, or which has provided security to the holders or credit enhancers of any Tax Advantaged Obligations;

(iv) copies of all bid requests and bid responses used in the acquisition of any special investments used for the proceeds of any issue of Tax Advantaged Obligations, including any swaps, swaptions, or other financial derivatives entered into in order to establish that such instruments were purchased at *fair market value*;

(v) copies of any subscriptions to the United States Treasury for the purchase of State and Local Government Series (SLGS) obligations;

(vi) any calculations of liability for *arbitrage rebate* that is or may become due with respect to any issue of Tax Advantaged Obligations, and any calculations prepared to show that no arbitrage rebate is due, together, if applicable, with account statements or cancelled checks showing the payment of any rebate amounts to the United States Treasury together with any applicable IRS Form 8038-T; and

(vii) copies of all contracts and agreements of the City, including any leases (the “*Contracts*”), with respect to the use of any property owned by the City and acquired, constructed or otherwise financed or refinanced with the proceeds of the Tax Advantaged Obligations effective at any time when such Tax Advantaged Obligations are, will or have been outstanding. Copies of contracts covering no more than 50 days of use and contracts related to City employees need not be retained.

(e) *IRS Examinations or Inquiries.* In the event the IRS commences an examination of any issue of Tax Advantaged Obligations or requests a response to a compliance check, questionnaire or other inquiry, the Compliance Officer shall inform the Corporate Authorities of such event, and is authorized to respond to inquiries of the IRS, and to hire outside, independent professional counsel to assist in the response to the examination or inquiry.

(f) *Annual Review.* The Compliance Officer shall conduct an annual review of the Contracts and other records to determine for each issue of Tax Advantaged Obligations then outstanding whether each such issue complies with the federal tax requirements applicable to such issue, including restrictions on private business use, private payments and private loans. The Compliance Officer is expressly authorized, without further official action of the Corporate Authorities, to hire outside, independent professional counsel to assist in such review. To the extent that any violations or potential violations of federal tax requirements are discovered incidental to such review, the Compliance Officer may make recommendations or take such actions as the Compliance Officer shall reasonably deem necessary to assure the timely correction of such violations or potential violations through remedial actions described in the United States Treasury Regulations, or the Tax Exempt Bonds Voluntary Closing Agreement Program described in Treasury Notice 2008-31 or similar program instituted by the IRS.

(g) *Training.* The Compliance Officer shall undertake to maintain reasonable levels of knowledge concerning the rules related to tax-exempt bonds (and build America bonds and tax credit bonds to the extent the City has outstanding build America bonds or tax-credit bonds) so that such officer may fulfill the duties described in this Section. The Compliance Officer may consult with counsel, attend conferences and presentations of trade groups, read materials posted on various web sites, including the web site of the Tax Exempt Bond function of the IRS, and use other means to maintain such knowledge. Recognizing that the Compliance Officer may not be fully knowledgeable in this area, the Compliance Officer may consult with outside counsel, consultants and experts to assist him or her in exercising his or her duties hereunder. The Compliance Officer will endeavor to make sure that the City’s staff is aware of the need for continuing compliance. The Compliance Officer will provide copies of this Ordinance and the Tax Exemption Certificate and Agreement or other applicable tax documents for each series of Tax Advantaged Obligations then currently outstanding (the “*Tax Agreements*”) to staff members who may be responsible for taking actions described in such documents. The Compliance Officer should assist in the education of any new Compliance Officer and the transition of the duties under these procedures. The Compliance Officer will

review this Ordinance and each of the Tax Agreements periodically to determine if there are portions that need further explanation and, if so, will attempt to obtain such explanation from counsel or from other experts, consultants or staff.

(h) *Amendment and Waiver.* The procedures described in this Section are only for the benefit of the City. No other person (including an owner of a Tax Advantaged Obligation) may rely on the procedures included in this Section. The City may amend this Section and any provision of this Section may be waived, without the consent of the holders of any Tax Advantaged Obligations and as authorized by passage of an ordinance by the Corporate Authorities. Additional procedures may be required for Tax Advantaged Obligations the proceeds of which are used for purposes other than capital governmentally owned projects or refundings of such, including tax increment financing bonds, bonds financing output facilities, bonds financing working capital, or private activity bonds. The City also recognizes that these procedures may need to be revised in the event the City enters into any derivative products with respect to its Tax Advantaged Obligations.

Section 26. Publication. This Ordinance shall be published in pamphlet form by authority of the Council.

Section 27. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 28. Repealer. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed; and this Ordinance shall be in full force and effect immediately upon its passage.

* * *

Passed: The 25th day of August, 2014.

VOTE:

AYES: _____

NAYS: _____

ABSENT: _____

Approved:

Mayor,
City of Rochelle,
Ogle and Lee Counties, Illinois

ATTEST:

City Clerk,
City of Rochelle,
Ogle and Lee Counties, Illinois

Published in pamphlet form the 25th day of August, 2014.

Recorded in full in the records of the City the 25th day of August, 2014.

Council Member _____ moved and Council Member _____ seconded the motion that said ordinance as presented and read by the City Clerk be adopted.

After a full discussion thereof, including a public recital of the nature of the matter being considered and such other information as would inform the public of the business being conducted, the Mayor directed that the roll be called for a vote upon the motion to adopt the ordinance as read. Upon the roll being called, the following voted "AYE":

_____ and the following voted "NAY": _____.

Whereupon the Mayor declared the motion carried and the ordinance adopted, and henceforth did approve and sign the same in open meeting, and did direct the Clerk to record the same in full in the records of the Council of the City of Rochelle, Ogle and Lee Counties, Illinois.

Other business not pertinent to the adoption of said ordinance was duly transacted at said meeting.

Upon motion duly made and seconded, the meeting was adjourned.

City Clerk

STATE OF ILLINOIS)
) SS
COUNTY OF OGLE)

CERTIFICATE OF MINUTES

I, Bruce McKinney, do hereby certify that I am the duly qualified and acting Clerk of the City of Rochelle, in the County and State aforesaid, and as such Clerk I am the keeper of the records and files of the Council of said City (the “*Corporate Authorities*”).

I do further certify that the attached and foregoing is a full, true and complete transcript of that portion of the minutes of the legally convened meeting of the Corporate Authorities, held on the 25th day of August, 2014, insofar as the same relates to the adoption of an ordinance entitled:

AN ORDINANCE providing for the issuance of not to exceed \$6,000,000 Electric System Revenue Bonds, Series 2014, of the City of Rochelle, Ogle and Lee Counties, Illinois, and a bond order in connection therewith, and providing for the collection, segregation and distribution of the revenues of the electric system of the City.

a full, true and correct copy of which ordinance as adopted appears in the foregoing minutes, all as appears from the official records of said City in my official care and custody.

I do further certify that the deliberations of the City Council on the adoption of said ordinance were taken openly; that the vote on the adoption of said ordinance was taken openly; that said meeting was held at a specified time and place convenient to the public; that notice of said meeting was duly given to all newspapers, radio or television stations and other news media requesting such notice; that an agenda for said meeting was posted on a day which was not a Saturday, Sunday or legal holiday for Illinois municipalities and at least 72 hours in advance of holding said meeting at the location where said meeting was held and at the principal office of the City Council; that at least one copy of said agenda was continuously available for public review during the entire 72-hour period preceding said meeting; that a true, correct and complete copy of said agenda as so posted is attached hereto; and that said meeting was called and held in strict compliance with the provisions of the Illinois Municipal Code, as amended, and the Open Meetings Act of the State of Illinois, as amended, and that the City Council have complied with all of the provisions of said Act and said Code, except as validly superseded by the home rule powers of the City, and with all of the procedural rules of the City Council in the adoption of said ordinance.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and the corporate seal of the City of Rochelle, Ogle and Lee Counties, Illinois, at Rochelle, Illinois, this 25th day of August, 2014.

City Clerk of the City of Rochelle
Ogle and Lee Counties, Illinois

[SEAL]

City Clerk to Attach Agenda