

**VILLAGE OF CHATHAM
SANGAMON COUNTY, ILLINOIS**

ORDINANCE NO. 14-04

AN ORDINANCE OF THE VILLAGE OF CHATHAM, SANGAMON COUNTY, ILLINOIS, AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS (ALTERNATE REVENUE SOURCE), SERIES 2014, OF THE VILLAGE IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,805,000 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING PRIOR BONDS OF THE VILLAGE

Adopted by the President and Board of Trustees of the Village of Chatham, Sangamon County, Illinois on January 14, 2014.

Published in pamphlet form by the authority of the President and Board of Trustees of the Village of Chatham, Sangamon County, Illinois this January 14, 2014.

ORDINANCE NO. 14-04

AN ORDINANCE of the Village of Chatham, Sangamon County, Illinois, authorizing the issuance of General Obligation Refunding Bonds (Alternate Revenue Source), Series 2014, of the Village in the aggregate principal amount of \$3,805,000 for the purpose of refunding certain outstanding prior bonds of the Village

PREAMBLES

WHEREAS, the Village of Chatham, in Sangamon County, Illinois (the "Village"), is duly established and operates under and in accordance with the provisions of the Illinois Municipal Code, 65 ILCS 5/1-1-1 *et seq.*, as supplemented and amended (the "Act"); and

WHEREAS, the Village operates an existing electric system (the "System") in accordance with the provisions of Division 119 of Article 11 of the Act (the "System"); and

WHEREAS, the Village has previously issued its General Obligation Bonds (Alternate Revenue Source), Series 2006 in the original aggregate principal amount of \$3,410,000, of which \$2,515,000 principal amount is now outstanding (the "2006 Bonds"); and

WHEREAS, the Village has previously issued its General Obligation Bonds (Alternate Revenue Source), Series 2008 in the original aggregate principal amount of \$1,500,000, of which \$1,270,000 principal amount is now outstanding (the "2008 Bonds"); and

WHEREAS, the President and the Board of Trustees of the Village (the "Corporate Authorities") have determined that it is advisable, necessary and in the best interests of the Village's public health, safety and welfare to current refund the outstanding 2006 Bonds and the 2008 Bonds (collectively, the "Refunded Bonds") in order to have debt service savings; and

WHEREAS, the estimated cost of refunding the Refunded Bonds is \$3,805,000 (the "Refunding"); and

WHEREAS, the Village has insufficient funds on hand and lawfully available to pay costs of the Refunding, and accordingly such costs must be met from proceeds derived from the sale of the Village's General Obligation Refunding Bonds (Alternate Revenue Source), Series 2014 in the aggregate principal amount of \$3,805,000 (the "Bonds") issued as alternate bonds as authorized by Section 15 of the Local Government Debt Reform Act, 30 ILCS 350/1 *et seq.* (the "Reform Act"), but nevertheless expected to be paid from the hereinafter defined Pledged Revenues and issued pursuant to the hereinafter defined Applicable Acts; and

WHEREAS, the Village determines to allocate the serial principal maturities of the Bonds to the Refunded Bonds as provided in Section 5 of the Ordinance; and

WHEREAS, the term of the Bonds as allocated is not longer than the term of the respective Refunded Bonds and the debt service payable in any year on the Bonds as allocated does not exceed the debt service payable in such year on the respective Refunded Bonds; and

WHEREAS, the Corporate Authorities find and determine that the conditions of §15 of the Reform Act have been met and that the Village is now authorized to issue the Bonds for the Refunding to the amount of \$3,805,000 as alternate bonds in accordance with the provisions of the Applicable Acts, payable from Pledged Revenues; and

WHEREAS, for convenience of reference only this Ordinance is divided into numbered sections with headings, which shall not define or limit the provisions hereof, as follows:

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NOW, THEREFORE, BE IT ORDAINED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF CHATHAM, SANGAMON COUNTY, ILLINOIS, AS FOLLOWS:

Section 1. Definitions

Certain words and terms used in this Ordinance shall have the meanings given them above in the preambles hereto and the meanings given them in this Section 1, unless the context

or use clearly indicates another or different meaning is intended. Certain definitions are as follows:

(1) “Applicable Acts” means, collectively, the Local Government Debt Reform Act, as supplemented and amended, 30 ILCS 350/1 *et seq.*, the Illinois Municipal Code, as supplemented and amended, 65 ILCS 5/1-1-1 *et seq.*, including, without limitation, Division 119 of Article 11 and the Municipal Bond Reform Act at Article 8, Division 4.1 of the Act, and the Omnibus Bond Acts, 5 ILCS 70/8.

(2) “Bond Register” means the books of the Village kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

(3) “Bond Registrar” means United Community Bank, Chatham, Illinois, or a successor thereto or designated as Bond Registrar hereunder.

(4) “Bond” or “Bonds” means the Village’s General Obligation Refunding Bonds (Alternate Revenue Source), Series 2014, authorized to be issued by this Ordinance, including bonds issued in exchange for or upon transfer or replacement of bonds previously issued under this Ordinance.

(5) “Code” means the Internal Revenue Code of 1986, as amended, and includes related and applicable regulations promulgated by the Treasury Department.

(6) “Corporate Authorities” means the President and the Board of Trustees of the Village.

(7) “Fiscal Year” means the twelve-month period constituting the Village’s fiscal year, not inconsistent with applicable law.

(8) “Junior Bond” means any Outstanding bonds payable from the Junior Bond and Interest Account established pursuant to Section 13 hereof, and includes expressly the Bonds.

(9) “Net Revenues” means Revenues minus Operation and Maintenance Costs.

(10) “Operation and Maintenance Costs” means all costs of operating, maintaining and routine repair of the System, including, but not limited to, wages, salaries, costs of materials and supplies, power, fuel and insurance (including all payments by the Village pursuant to long term contracts for such services, but excluding debt service, depreciation, capital improvements or 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.

(11) “Ordinance” means this Ordinance and subsequent supplements.

(12) “Outstanding Bonds” means the Bonds and Parity Bonds which are outstanding and unpaid; provided, however, such term shall not include the 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 and interest thereof, or (ii) the provision for payment of which has been made by the Village 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 and interest of which will be sufficient to pay at maturity or as called for redemption all the principal of and applicable premium on such Bonds, and will not result in the loss of the exclusion from gross income of the interest thereon under Section 103 of the Code.

(13) "Parity Bonds" means bonds or any other obligations which share ratably and equally in the Pledged Revenues with either Senior Bonds or Junior Bonds, as set forth and provided for in any such ordinance authorizing the issuance of any such Parity Bonds..

(14) "Paying Agent" means United Community Bank, Chatham, Illinois, or any successor thereto or designated as Paying Agent hereunder.

(15) "Pledged Revenues" means (i) the Revenues and (ii) that portion of the following revenues necessary to supplement the Revenues so that there are sufficient moneys to pay principal, interest and premium on the Bonds on any principal or interest payment date: all collections to be distributed to the Village from those taxes imposed by the State of Illinois pursuant to the Illinois Income Tax Act, the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act and the Retailer's Occupation Tax Act, each as supplemented and amended from time to time or substitute taxes therefor as provided by the State of Illinois in the future.

(16) "Pledged Taxes" means the ad valorem taxes levied against all of the taxable property in the Village without limitation as to rate or amount pledged hereunder by the Village as security for all the Bonds.

(17) "Project" means the project originally financed with the Refunded Bonds.

(18) "Purchase Agreement" means the Bond Purchase Agreement to be entered into by and between the Village and the Purchaser in connection with the Bonds.

(19) "Purchaser" means United Community Bank, Chatham, Illinois, the purchaser in connection with the Bonds.

(20) "Reform Act Costs" means the following amounts determined in accordance with the Reform Act: (1) costs of operation and maintenance of the System, but not including depreciation, (2) debt service on all outstanding revenue bonds payable from Pledged Revenues, (3) all amounts required to meet any fund or account requirements with respect to such outstanding revenue bonds payable from Pledged Revenues, (4) other contractual or tort liabilities obligations, if any, payable from Pledged Revenues, and (5) in each year, an amount not less than 1.25 times debt service of all (i) alternate bonds payable from Pledged Revenues previously issued and outstanding.

(21) "Revenues" means all income from whatever source derived from the System, including (i) investment income on all accounts created hereunder; (ii) connection, permit and inspection fees and the like for the use of the System; (iii) penalties and delinquency charges; and (iv) capital development, reimbursement, or recovery charges and the like, but excluding

expressly (a) non-recurring income from the sale of property of the System; (b) governmental or other grants; (c) advances or grants made from the Village; and as otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

(22) "Senior Bond" means any Outstanding bonds payable from the Senior Bond and Interest Account established pursuant to Section 13 hereof.

(23) "System Fund" means the Electric Light Fund established or continued in Section 13 of this Ordinance.

(24) "System" refers to all property, real, personal or otherwise owned or to be owned by the Village or under the control of the Village, wherever located, and used by or useful to the Village for electric system purposes, including the production, storage, transmission or distribution of electricity.

(25) "Tax Exempt" means, with respect to the Bonds, the status of interest paid and received thereon as not includible in the gross income of the owners thereof under the Code for federal income tax purposes.

Section 2. Authority and Purpose

This Ordinance is adopted pursuant to the Constitution and applicable laws of the State of Illinois, including the Act, for the purpose of financing all or a part of the costs of the Refunding. The Corporate Authorities hereby find that the recitals contained in the preambles to this Ordinance are full, true, and correct and does hereby incorporate them into this Ordinance by this reference.

Section 3. Determination To Issue Bonds

It is necessary and in the best interests of the Village and for the public health, safety, and welfare to issue the Bonds for the purpose of paying the costs of the Refunding. The Corporate Authorities find that all conditions precedent to the issuance of the Bonds as alternate bonds under the Reform Act payable from Pledged Revenues have been met or have occurred and that the Bonds may be validly issued.

Section 4. Determination of Useful Life

The Corporate Authorities do hereby determine the period of usefulness of the Project and the System to be forty (40) years from the date of the Bonds.

Section 5. Authorization and Terms of Bonds

To meet part of the costs of the Refunding, there is hereby appropriated the sum of \$3,805,000, to be derived from the proceeds of the Bonds. For the purpose of financing such appropriation, Bonds of the Village shall be issued and sold in an aggregate principal amount of \$3,805,000 and shall each be designated "General Obligation Refunding Bonds (Alternate Revenue Source), Series 2014".

The Bonds shall be dated the date of their issuance and shall also bear the date of authentication thereof. The Bonds shall be in fully registered form, shall be in denominations of \$1,000 and authorized integral multiples thereof, and shall be numbered consecutively in such

reasonable fashion as may be established by the Bond Registrar, and shall bear interest payable May 1, 2014 and semiannually thereafter on May 1 and November 1 of each year. Bonds shall mature serially on November 1 of each of the following years bearing interest at the rates per annum and in the principal amounts (with the principal amount of each serial maturity allocated to refunding of the particular 2006 Bonds and 2008 Bonds) is as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Principal Portion Allocated to 2006 Bonds</u>	<u>Principal Portion Allocated to 2008 Bonds</u>
2014	\$234,000	2.960%	\$162,000	\$72,000
2015	\$231,000	3.050%	\$156,000	\$75,000
2016	\$235,000	3.070%	\$160,000	\$75,000
2017	\$247,000	3.130%	\$168,000	\$79,000
2018	\$260,000	3.140%	\$175,000	\$85,000
2019	\$263,000	3.160%	\$180,000	\$83,000
2020	\$273,000	3.280%	\$185,000	\$88,000
2021	\$279,000	3.340%	\$191,000	\$88,000
2022	\$295,000	3.420%	\$202,000	\$93,000
2023	\$306,000	3.440%	\$209,000	\$97,000
2024	\$314,000	3.490%	\$213,000	\$101,000
2025	\$321,000	3.540%	\$218,000	\$103,000
2026	\$336,000	3.540%	\$228,000	\$108,000
2027	\$106,000	3.780%	\$0	\$106,000
2028	\$105,000	3.780%	\$0	\$105,000

Each Bond shall bear interest from its date, or from the most recent interest payment date to which interest has been paid or duly provided for, computed on the basis of a 360-day year consisting of twelve 30-day months, and payable in lawful money of the United States of America. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the financial institution designated in this ordinance, acting as the Paying Agent for the Bonds (including any successors, the "Paying Agent"). Interest on the Bonds shall be payable on each interest payment date to the registered owners of record appearing on the registration books maintained by the Bond Registrar on behalf of the Village for such purpose (including any successors, the "Bond Registrar"), at the principal office of the Bond Registrar as of the close of business on the fifteenth (15th) day of the calendar month next preceding the applicable interest payment date. Interest on the Bonds shall be paid by check or draft mailed to such registered owners at their addresses appearing on the registration books. The Bond Registrar shall not be required to transfer or exchange any Bond during a period commencing the fifteenth (15th) day of the month next preceding each interest payment date and ending on such interest date or during a period of fifteen (15) days next preceding the mailing of a notice of redemption of any Bond which could designate all or a part of such Bond for redemption.

Section 6. Redemption.

The Bonds are subject to redemption as a whole or in part on any date at a redemption price of par plus accrued interest to the redemption date.

In the event of the redemption of less than all the Bonds of like maturity, the aggregate principal amount thereof to be redeemed shall be \$1,000 or an integral multiple thereof and the Bond Registrar shall assign to each Bond of such maturity a distinctive number for each \$1,000 principal amount of such Bond and shall select by lot from the numbers so assigned as many numbers as, at \$1,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided that only so much of the principal amount of each Bond shall be redeemed as shall equal \$1,000 for each number assigned to it and so selected.

Notice of the redemption of Bonds shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of Bonds to be redeemed at their last addresses appearing on such registration books. Moneys sufficient to pay the redemption price of any Bonds called for redemption prior to maturity shall be deposited with the Paying Agent prior to notice of redemption having been given.

The Bonds or portions thereof specified in such notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be on deposit with the Paying Agent for such payment on such date, and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner), then from and after the redemption date interest on such Bonds or portions thereof shall cease to accrue and become payable. If there shall be drawn for redemption less than all of a Bond, the Village shall execute and the Bond Registrar shall authenticate and deliver, upon the surrender of such Bond, without charge to the registered owner thereof, for the unredeemed balance of the Bond so surrendered, Bonds of like maturity and of the denomination of \$1,000 or any authorized integral multiple thereof.

All notices of redemption shall include at least the information as follows:

- (1) the redemption date;
- (2) the redemption price;
- (3) if less than all of the Bonds of a given maturity are to be redeemed, the identification and, in the case of partial redemption of the Bonds, the respective principal amounts to the Bonds to be redeemed;
- (4) a statement that on the redemption date the redemption price will become due and payable upon such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from such date; and
- (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Bond Registrar.

The Bond Registrar shall not be required to transfer or exchange any Bond after notice of the redemption of all or a portion thereof has been mailed. The Bond Registrar shall not be required to transfer or exchange any Bond during a period of fifteen (15) days next preceding the mailing of a notice of redemption which would designate for redemption all or a portion of such Bond.

Section 7. Purchase Agreement

The Purchase Agreement by and between the Village and the Purchaser, in substantially the form thereof presented before this meeting of the Corporate Authorities shall be and is hereby approved. In connection with the sale of the Bonds, the President is authorized and directed to execute and deliver a Purchase Agreement in substantially the form of the Purchase Agreement presented at this meeting, together with such changes and completions as may be approved by the President, subject to the limitations of this Ordinance. The execution of the Purchase Agreement shall constitute conclusive evidence of the approval of such changes and completions. All things done by the Village's President, Village Clerk, Treasurer and Village Attorney in connection with the issuance and sale of the Bonds shall be and are hereby ratified, confirmed and approved. The President, Village Clerk, Treasurer, Village Attorney and other officials of the Village are hereby authorized and directed to do and perform, or cause to be done or performed for or on behalf of the Village, each and every thing necessary for the issuance of the Bonds, including the proper execution, delivery and performance of the Purchase Agreement and related instruments and certificates by the Village and the purchase by and delivery of the Bonds to or at the direction of the Purchaser.

Section 8. Execution and Authentication

Each Bond shall be executed in the name of the Village by the manual or authorized facsimile signature of its President and the corporate seal of the Village, or a facsimile thereof, shall be thereunto affixed, impressed or otherwise reproduced or placed thereon and attested by the manual or authorized facsimile signature of its Village Clerk.

In case any officer whose signature, or a facsimile of whose signature, shall appear on any Bond shall cease to hold such office before the issuance of such Bond, such Bond shall nevertheless be valid and sufficient for all purposes, the same as if the person whose signature, or a facsimile thereof, appears on such Bond had not ceased to hold such office. Any Bond may be signed, sealed or attested on behalf of the Village by any person who, on the date of such act, shall hold the proper office, notwithstanding that at the date of such Bond such person may not hold such office. No recourse shall be had for the payment of any Bonds against the President or any member of the Board of Trustees or any officer or employee of the Village (past, present or future) who executes the Bonds, or on any other basis.

Each Bond shall bear thereon a certificate of authentication executed manually by the Bond Registrar. No Bond shall be entitled to any right or benefit under this Ordinance or shall be valid or obligatory for any purpose 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 the Bond Registrar 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 9. Transfer, Exchange and Registration

The Bonds shall be negotiable, subject to the provisions for registration of transfer contained herein. Each Bond shall be transferable only upon the registration books maintained by the Bond Registrar on behalf of the Village for that purpose at the principal office of the Bond Registrar by the registered owner thereof in person or by such registered owner's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar and duly executed by the registered owner or such registered owner's duly authorized attorney. Upon the surrender for transfer of any such Bond, the Village shall execute and the Bond Registrar shall authenticate and deliver a new Bond or Bonds registered in the name of the transferee of the same aggregate principal amount, maturity and interest rate as the surrendered Bond. Bonds, upon surrender thereof at the principal office of the Bond Registrar, duly executed by the registered owner or such registered owner's attorney duly authorized in writing, may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate and of the denomination of \$5,000 or any authorized integral multiple thereof, less previous retirements.

For every such exchange or registration of transfer of Bonds, the Village or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. No other charge shall be made for the privilege of making such transfer or exchange. The provisions of the Illinois Bond Replacement Act shall govern the replacement of lost, destroyed or defaced Bonds.

The Village, the Paying Agent and the Bond Registrar may deem and treat the person in whose name any Bond shall be registered upon the registration books as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, or interest thereon and for all other purposes whatsoever, and all such payments so made to any such registered owner or upon such registered owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Village nor the Paying Agent or the Bond Registrar shall be affected by any notice to the contrary.

Section 10. Bond Registrar and Paying Agent

The Bond Registrar and Paying Agent with respect to this Ordinance and the Bonds shall be United Community Bank, Chatham, Illinois. The Village covenants that it shall at all times retain a Bond Registrar and Paying Agent with respect to the Bonds and shall cause to be maintained at the office of such Bond Registrar a place where Bonds may be presented for registration of transfer or exchange, that it will maintain at the designated office of the Paying Agent a place where Bonds may be presented for payment, that it shall require that the Bond Registrar maintain proper registration books and that it shall require the Bond Registrar and Paying Agent to perform the other duties and obligations imposed upon each of them by this Ordinance in a manner consistent with the standards, customs and practices concerning

municipal securities. The Village may enter into appropriate agreements with the Bond Registrar and Paying Agent in connection with the foregoing, including as follows:

- (a) to act as Bond Registrar, authenticating agent, Paying Agent and transfer agent as provided herein;
- (b) to maintain a list of the registered owners of the Bonds as set forth herein and to furnish such list to the Village upon request, but otherwise to keep such list confidential;
- (c) to cancel and/or destroy Bonds which have been paid at maturity or submitted for exchange or transfer;
- (d) to furnish the Village at least annually a certificate with respect to Bonds canceled and/or destroyed; and
- (e) to furnish the Village at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds.

The Bond Registrar and Paying Agent shall signify their acceptances of the duties and obligations imposed upon them by this Ordinance. The Bond Registrar by executing the certificate of authentication on any Bond shall be deemed to have certified to the Village that it has all requisite power to accept, and has accepted, such duties and obligations not only with respect to the Bond so authenticated but with respect to all of the Bonds. The Bond Registrar and Paying Agent are the agents of the Village for such purposes and shall not be liable in connection with the performance of their respective duties except for their own negligence or default. The Bond Registrar shall, however, be responsible for any representation in its certificate of authentication on the Bonds.

The Village may remove the Bond Registrar or Paying Agent at any time. In case at any time the Bond Registrar or Paying Agent shall resign (such resignation to not be effective until a successor has accepted such role) or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Bond Registrar or Paying Agent, or of its property, shall be appointed, or if any public officer shall take charge or control of the Bond Registrar or Paying Agent or of their respective properties or affairs, the Village covenants and agrees that it will thereupon appoint a successor Bond Registrar or Paying Agent, as the case may be. The Village shall mail or cause to be mailed notice of any such appointment made by it to each registered owner of Bonds within twenty (20) days after such appointment. Any Bond Registrar or Paying Agent appointed under the provisions of this Section shall be a bank, trust company or other qualified professional with respect to such matters, maintaining its principal office in the State of Illinois.

Section 11. Form of Bonds

The Bonds shall be issued as fully registered Bonds conforming to the industry customs and practices of printing. The Bonds shall be in substantially the form, the blanks to be appropriately completed when the Bonds are printed, as follows:

(form of bond)

UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTY OF SANGAMON
VILLAGE OF CHATHAM
GENERAL OBLIGATION REFUNDING BOND
(ALTERNATE REVENUE SOURCE)
SERIES 2014

REGISTERED NO. _____

REGISTERED \$ _____

INTEREST RATE:
_____ %

MATURITY DATE:
November 1, _____

DATED DATE:

Registered Owner:

Principal Amount:

DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Village of Chatham, Illinois, a municipality and unit of local government situated in the County of Sangamon, in the State of Illinois (the "Village"), acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount set forth above on the Maturity Date specified above, and to pay interest on such Principal Amount from the Dated Date hereof, or from the most recent interest payment date to which interest has been paid, at the Interest Rate per annum set forth above, computed on the basis of a 360-day year consisting of twelve 30-day months and payable in lawfully money of the United States of America semiannually on the first day of May and November in each year, commencing May 1, 2014, until the Principal Amount hereof shall have been paid, by check or draft mailed to the Registered Owner of record hereof as of the fifteenth (15th) day of the calendar month next preceding such interest payment date, at the address of such Registered Owner appearing on the registration books maintained for such purpose at United Community Bank, Chatham, Illinois, as Bond Registrar (including its successors, the "Bond Registrar"). This Bond, as to principal and premium, if any, when due, will be payable in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of United Community Bank, Chatham, Illinois, as Paying Agent (including its successors, the "Paying Agent").

This Bond is one of a series of Bonds issued in aggregate principal amount of \$3,805,000, which are all of like tenor, except as to maturity and interest rate. The Bonds are authorized and issued under and pursuant to the Constitution and laws of the State of Illinois, including the Illinois Municipal Code, 65 ILCS 5/1-1-1 *et seq.* and Division 119 of Article 11 thereof, the Local Government Debt Reform Act, 30 ILCS 350/1 *et seq.* and the Omnibus Bond Acts, 5 ILCS 70/8 (collectively the "Applicable Acts"), and pursuant to and in accordance with Ordinance No. _____ adopted by the President and Board of Trustees of the Village on January 14, 2014

(the "Ordinance"), to which reference is hereby expressly made for all definitions and terms and to all the provisions of which the holder by acceptance of this Bond assents.

The Bonds have been issued for the purpose of paying the costs of a refunding certain prior bonds of the Village, payable from Pledged Revenues as defined in the Ordinance, including Revenues of the electric system of the Village as defined in the Ordinance (the "System") as defined in the Ordinance, and from ad valorem taxes levied against all of the taxable property in the Village without limitation as to rate or amount (the "Pledged Taxes"), all in accordance with the provisions of the Applicable Acts and the Ordinance.

The Pledged Revenues and Pledged Taxes are pledged to the payment of the Bonds pursuant to the Ordinance. Senior Bonds and Parity Bonds may be issued pursuant to the terms of the Ordinance, and the pledge of the Revenues to the payment of the Bonds is second, junior and subordinate to the pledge to bonds or other obligations having, or to have, a prior lien thereon.

This Bond shall not constitute an indebtedness of the Village within the meaning of any constitutional or statutory provision or limitation, unless the Pledged Taxes shall have been extended pursuant to the general obligation, full faith and credit promise supporting the Bonds, in which case the amount of the Bonds, as applicable then Outstanding shall be included in the computation of indebtedness of the Village for purposes of all statutory provisions or limitations until such time as an audit of the Village shall show that the Bonds shall have been paid from Pledged Revenues for a complete Fiscal Year.

Under the Applicable Acts and the Ordinance, the Pledged Revenues are to be deposited into the System Fund which shall be used only and is hereby pledged for paying Operation and Maintenance Costs, paying the principal of and interest on bonds of the Village that are payable by their terms from the Pledged Revenues, providing an adequate depreciation fund, and in making all payments required to maintain the accounts established pursuant to the Ordinance.

The Bonds are subject to redemption as a whole or in part on any date at a redemption price of par plus accrued interest to the redemption date.

In the event of the redemption of less than all the Bonds of like maturity, the aggregate principal amount thereof to be redeemed shall be \$1,000 or an integral multiple thereof and the Bond Registrar shall assign to each Bond of such maturity a distinctive number for each \$1,000 principal amount of such Bond and shall select by lot from the numbers so assigned as many numbers as, at \$1,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided that only so much of the principal amount of each Bond shall be redeemed as shall equal \$1,000 for each number assigned to it and so selected.

Notice of the redemption of Bonds shall be given by certified or registered mail at least thirty (30) days prior to the date fixed for such redemption to the registered owners of Bonds to be redeemed at their last addresses appearing on such registration books. The Bonds or portions thereof specified in such notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on such date, and if notice of

redemption shall have been mailed as aforesaid and, notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner, then interest on such Bonds or portions thereof shall cease to accrue and become payable from and after the redemption date. If there shall be drawn for redemption less than all of a Bond, the Village shall execute and the Bond Registrar shall authenticate and deliver, upon the surrender of such Bond, without charge to the registered owner thereof, for the unredeemed balance of the Bond so surrendered, Bonds of like maturity and of the denomination of \$1,000 or any authorized integral multiple thereof.

All notices of redemption shall include at least the information as follows: (1) the redemption date; (2) the redemption price; (3) if less than all of the Bonds of a given maturity are to be redeemed, the identification and, in the case of partial redemption of the Bonds, the respective principal amounts to the Bonds to be redeemed; (4) 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 such date; and (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

This Bond is transferable only upon the registration books therefor by the Registered Owner hereof in person, or by such Registered Owner's attorney duly authorized in writing, upon surrender hereof at the principal office of the Bond Registrar together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or by such a Registered Owner's duly authorized attorney, and thereupon a new registered Bond or Bonds, in the authorized denominations of \$1,000 or any authorized integral multiple thereof and of the same aggregate principal amount as this Bond shall be issued to the transferee in exchange therefor. In like manner, this Bond may be exchanged for an equal aggregate principal amount of Bonds of any authorized denomination. The Bond Registrar shall not be required to exchange or transfer any Bond during the period from the fifteenth (15th) day of the month next preceding any interest payment date to such interest payment date or during a period of fifteen (15) days next preceding the mailing of a notice of redemption which could designate all or a part of such Bond for redemption. The Village or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to the transfer or exchange of this Bond. No other charge shall be made for the privilege of making such transfer or exchange. The Village, the Paying Agent and the Bond Registrar may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal, premium, if any, and interest due hereon and for all other purposes whatsoever, and all such payments so made to such Registered Owner or upon such Registered Owner's order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and neither the Village nor the Paying Agent or the Bond Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of any Bonds against the President, any member of the Board of Trustees or any other officer or employee of the Village (past, present or future) who executes any Bonds, or on any other basis. The Village may remove the Bond Registrar or Paying Agent at any time and for any reason and appoint a successor.

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

The Village has designated the Bonds "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

It is hereby certified, recited and declared that all acts, conditions and things required to be done, exist and be performed precedent to and in the issuance of this Bond in order to make it a legal, valid and binding obligation of the Village have been done, exist and have been performed in regular and due time, form and manner as required by law; that the series of Bonds of which this Bond is one, together with all other indebtedness of the Village is within every debt or other limit prescribed by law; that provision has been made for the pledge and collection of the Pledged Revenues and the levy and collection of the Pledged Taxes, and the segregation of the Pledged Revenues and Pledged Taxes to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity; and that the Village hereby covenants and agrees that it will properly account for the Pledged Revenues and Pledged Taxes and will comply with all the covenants of and maintain the funds and accounts as provided by the Ordinance. For the prompt payment of this Bond, both principal and interest at maturity, the full faith, credit and resources of the Village are hereby irrevocably pledged.

IN WITNESS WHEREOF, the Village of Chatham, Sangamon County, Illinois, has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President, and its corporate seal, or a facsimile thereof, to be affixed or otherwise reproduced hereon and attested by the manual or facsimile signature of its Village Clerk, all as of the Dated Date set forth above.

VILLAGE OF CHATHAM,
Sangamon County, Illinois

(SEAL)

President

Attest:

Village Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the General Obligation Refunding Bonds (Alternate Revenue Source), Series 2014, described in the within mentioned Ordinance.

Date: _____

By: _____
Authorized Officer

Bond Registrar
and Paying Agent:

United Community Bank,
Chatham, Illinois

ASSIGNMENT

For value received the undersigned sells, assigns and transfers unto

[Name, Address and Social Security Number or FEIN of Assignee]
the within Bond and hereby irrevocably constitutes and appoints _____
_____ attorney to transfer the within Bond on the books kept for registration
thereof, with full power of substitution in the premises.

Dated: _____

Signature

Signature Guarantee:

Notice: The signature on 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 12. Alternate Bonds; General Obligations

The Bonds are and constitute alternate bonds under the Reform Act, anticipated to be payable from Pledged Revenues. Under and pursuant to Section 15 of the Reform Act, the full faith and credit of the Village are hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bonds; the Bonds shall be direct and general obligations of the Village; and the Village shall be obligated to levy ad valorem taxes upon all the taxable property within the Village's corporate limits, for the payment of Bonds and the interest thereon, without limitation as to rate or amount.

The Bonds shall be payable from Pledged Revenues and shall not constitute an indebtedness of the Village within the meaning of any constitutional or statutory limitation, unless the Pledged Taxes shall have been extended pursuant to the general obligation, full faith and credit promise supporting the Bonds, as set forth in Section 15 hereof, in which case the amount of the Bonds then outstanding shall be included in the computation of indebtedness of the Village for purposes of all statutory provisions or limitations until such time as an audit of the Village shall show that the Bonds have been paid from Pledged Revenues for a complete Fiscal Year, in accordance with the Applicable Acts.

The Village pledges the Pledged Revenues and the Pledged Taxes to the payment of the Bonds. The pledge is made pursuant to Section 13 of the Local Government Debt Reform Act and shall be valid and binding from the date of issuance of the Bonds. All such Pledged

Revenues, Pledged Taxes, and the moneys held in the Junior Bond and Interest Account shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Village irrespective of whether such parties have notice thereof.

Section 13. System Fund and Accounts

Upon the issuance of any of the Bonds, the System shall be operated on a Fiscal Year basis. Pledged Revenues shall be set aside as collected and be deposited into a separate fund and in an account in such bank designated by the Corporate Authorities, which fund is hereby continued or created and is designated as the “Electric Light Fund” of the Village (the “System Fund”), which shall constitute a trust fund pledged for the sole purpose of carrying out the covenants, terms, and conditions of this Ordinance. Pledged Revenues as deposited shall be used only in paying Operation and Maintenance Costs, providing an adequate depreciation fund, paying the principal of and interest on bonds of the Village which by their terms are payable from the Pledged Revenues, and providing for the establishment of and expenditure from the respective accounts as hereinafter described.

Section 14. Flow of Funds

There are hereby continued separate accounts in the System Fund to be known as the “Operation and Maintenance Account”, the “Senior Bond and Interest Account”, the “Senior Bond Reserve Account”, the “Junior Bond and Interest Account”, the “Junior Bond Reserve Account”, the “Depreciation, Improvement and Extension Account” and the “Surplus Account,” to which there shall be credited on or before the first day of each month by the financial officer of the Village, without any further official action or direction, in the order in which said accounts are hereinafter mentioned, all moneys held in the System 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) Senior Bond and Interest Account:

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

All moneys in said Account shall be used only for the purpose of paying interest on and principal of Outstanding Senior Bonds.

(c) Senior Bond Reserve Account:

There next shall be deposited in the Senior Bond Reserve Account and held, in cash and investments or as otherwise provided, such amount or amounts at such times as may be required in the applicable ordinance or ordinances by which Outstanding Senior Bonds are authorized and issued. Amounts to the credit of the Senior Bond Reserve Account shall be used to pay principal of or interest on the Outstanding Senior Bonds of the System at any time when there are insufficient funds available in the Senior Bond and Interest Account to pay the same as may be provided in the applicable ordinances and shall be transferred to said account for said purpose.

(d) Junior Bond and Interest Account:

There next shall be credited to the Junior Bond and Interest Account and held, in cash and investments, a fractional amount of the interest becoming due on the next succeeding interest payment date on all Outstanding Junior Bonds and also a fractional amount of the principal becoming due or subject to mandatory redemption of the next succeeding principal maturity or mandatory redemption date of all of the Outstanding Junior Bonds until there shall have been accumulated and held, in cash and investments, in the Junior Bond and Interest Account on or before the first day of the month preceding such maturity date of interest or maturity or mandatory redemption 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 Junior 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 Junior Bonds and shall be not less than one-sixth of the interest becoming due on the next succeeding interest payment date and not less than one-twelfth of the principal becoming due or subject to mandatory redemption on the next succeeding principal payment or mandatory redemption date on all Outstanding Junior Bonds until there is sufficient money in said Account to pay such principal or interest, or both.

Credits to the Junior 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 and principal of Outstanding Bonds.

(e) Junior Bond Reserve Account:

There next shall be deposited in the Junior Bond Reserve Account and held, in cash and investments or as otherwise provided, such amount or amounts at such times as may be required in the applicable ordinance or ordinances by which Outstanding Junior Bonds are authorized and issued. Amounts to the credit of the Junior Bond Reserve Account shall be used to pay principal of or interest on the Outstanding Junior Bonds of the System at any time when there are

insufficient funds available in the Junior Bond and Interest Account to pay the same as may be provided in the applicable ordinances and shall be transferred to said account for said purpose.

(f) Depreciation, Improvement and Extension Account:

There shall be credited to the Depreciation, Improvement and Extension Account and held, in cash and investments, any sums required for deposit into the Depreciation Account as may be determined by the Corporate Authorities. Amounts to the credit of said Depreciation, Improvement and Extension Account shall be used in accordance with such ordinances and for (i) the payment of the cost of extraordinary maintenance, necessary repairs and replacements, or contingencies, the payment for which no other funds are available, in order that the System may at all times be able to render efficient service; (ii) for the purpose of acquiring or constructing repairs, replacements, renewals, improvements and extensions to the System; and (iii) the payment of principal of or interest on any Outstanding Bonds at any time when there are no other funds available for that purpose in order to prevent a default and shall be transferred to the appropriate Bond and Interest Account for such purpose.

(g) Surplus Account:

All moneys remaining in the System 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 (f), inclusive, shall be credited each month to the Surplus Account. Funds in the Surplus Account shall first be used to make up any subsequent deficiencies in any of the accounts hereinabove named, and then, 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 purchasing Outstanding Bonds; or

(3) For any other lawful corporate purpose (including but not limited to payments in lieu of taxes and general supervision and administrative charges by the Village).

(h) Investment of Moneys in Accounts:

Except as otherwise expressly provided, money to the credit of the System Fund may be invested pursuant to any authorization granted to municipal corporations by Illinois statute or court decision.

Moneys to the credit of the Junior Bond and Interest Account and the Depreciation, Improvement and Extension Account may be invested from time to time by the Treasurer of the Village 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, (iii) the Illinois Funds or other such funds managed by the State of Illinois, Office of the Public Treasurer for investment by public agencies in the State of Illinois or (iv) 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. The Treasurer of the Village may sell such investments from time to time as funds are 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.

All interest on any funds so invested shall be credited to the System Fund and is hereby deemed and allocated as expended with the next expenditure(s) of money from the System Fund.

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

(i) 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 System Fund as they may in their sole discretion designate.

Section 15. Levy and Extension of Taxes; Abatement

For the purpose of providing the money required to pay the interest on the Bonds when and as the same falls due and to pay and discharge the principal thereof as the same shall mature, there shall be levied upon all the taxable property within the Village's corporate limits in each year while any of the Bonds shall be outstanding, a direct annual tax sufficient for that purpose, in addition to all other taxes, and in the amounts for each year, as follows:

<u>For Each Year</u>	<u>A Tax Sufficient to Produce the Sum of:</u>
2014	\$347,024
2015	\$343,894
2016	\$348,421
2017	\$353,473
2018	\$348,236
2019	\$349,603
2020	\$346,467
2021	\$352,763
2022	\$353,455
2023	\$350,713

<u>For Each Year</u>	<u>A Tax Sufficient to Produce the Sum of:</u>
2024	\$346,552
2025	\$349,923
2026	\$111,972
2027	\$106,985

Interest or principal coming due at any time when there shall be insufficient funds on hand to pay the same shall be paid promptly when due from current funds on hand in advance of the collection of the taxes herein levied; and when such taxes shall have been collected, reimbursement shall be made to such fund or funds from which such advance was made in the amounts thus advanced.

As soon as this ordinance becomes effective, a copy hereof certified by the Village Clerk, which certificate shall recite that this ordinance has been duly adopted, shall be filed with the County Clerk of the County of Sangamon, Illinois, who is hereby directed to ascertain the rate percent required to produce the aggregate tax to be levied in the years as hereinabove provided, and to extend the same for collection on the tax books in connection with other taxes levied in each of such years, in and by the Village for general corporate purposes of the Village, and in each of such years such annual tax shall be levied and collected in like manner as taxes for general corporate purposes for each of such years are levied and collected and, when collected, such taxes shall be used solely for the purpose of paying the principal of and interest on the Bonds herein authorized as the same become due and payable.

The Village determines that it has, or will have, funds on hand sufficient to pay debt service on the Bonds in the forthcoming year without extending a tax levy for the 2013 tax year. The Village covenants and agrees with the registered owners of the Bonds that so long as any of the Bonds remain outstanding, unless or to the extent Pledged Revenues or other duly appropriated moneys shall have been determined by the Corporate Authorities to provide an amount not less than an amount equal to the tax levy to be extended to pay debt service on the Bonds in the forthcoming year, the Village will take no action or fail to take any action which in any way would adversely affect the ability of the Village to levy and collect the Pledged Revenues or Pledged Taxes, and the Village and its officers will comply with all present and future applicable laws in order to assure that the foregoing taxes will be levied, extended and collected as provided herein and deposited in the Junior Bond and Interest Account to pay the principal of and interest on the Bonds.

As provided in the Applicable Acts, whenever the Pledged Revenues shall have been determined by the Corporate Authorities to provide an amount not less than an amount equal to the tax levy to be extended to pay debt service on the Bonds in the forthcoming year, the Corporate Authorities or such officers of the Village acting with proper authority shall direct the abatement of the Pledged Taxes for the Bonds for the forthcoming year, and proper notification of such abatement shall be filed with the County Clerk of Sangamon County in a timely manner to effect such abatement.

Section 16. General Covenants

The Village covenants and agrees with the holders and registered owners of the Outstanding Bonds, so long as there are any Outstanding Bonds (as defined herein), as follows:

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

(b) The Village will establish and maintain at all times reasonable fees, charges, and rates for the use and service of the System and will provide for the collection thereof and the segregation and application of the Pledged Revenues in the manner provided by this Ordinance, sufficient at all times to pay Operation and Maintenance Costs, to provide an adequate depreciation fund, to pay the principal of and interest on all revenue bonds of the Village which by their terms are payable from the Pledged Revenues, and to provide for the creation and maintenance of the respective accounts as provided in Section 13 of this Ordinance. In accordance with Section 15 of the Reform Act, the Village covenants to collect and apply Pledged Revenues to the payment of the Bonds. In addition, the Village covenants to establish and maintain at all times that any of the Bonds are outstanding, fees, charges, and rates for the use and service of the System together with Pledged Revenues sufficient to generate in each fiscal year Pledged Revenues to provide for all Reform Act Costs, and in any event, to provide not less than an additional .25 times debt service of the Bonds as computed in accordance with Section 15 of the Reform Act. The determination of the sufficiency of the Pledged Revenues shall be supported by reference to the most recent audit of the Village, and the reference to and acceptance of such audit by the Corporate Authorities shall be conclusive evidence that the conditions of Section 15 of the Reform Act have been met.

There shall be charged against all users of the System, including the Village, such rates and amounts for services provided by the System so that such charges together with Pledged Revenues shall be adequate to meet the requirements of this subsection. Charges for services rendered the Village shall be made against the Village, and payment for the same shall be made monthly from the corporate funds into the System Fund as revenues derived from the operation of the System; provided however, that the Village need not charge itself for such services if in the previous Fiscal Year Pledged Revenues not including any payments made by the Village shall have met the requirements of this Ordinance.

Whenever (i) the Village's audit reveals that Pledged Revenues fail to provide for all Reform Act Costs including an additional .25 times debt service of the Bonds as computed in accordance with Section 15 of the Reform Act, or (ii) money in the Depreciation Improvement and Extension Account is used to pay principal of or interest on Outstanding Bonds, the Village covenants to promptly have prepared a rate study for the System by an independent consultant employed for that purpose, and further, to send a copy of such study, when completed, to the original purchaser of the Bonds along with a letter indicating what action the Village has taken responsive to such study.

(c) The Village from time to time will make all needful and proper repairs, replacements, additions, and betterments to the System so that it may at all times be operated properly and

advantageously; and when any necessary equipment or facility shall have been worn out, destroyed, or otherwise is insufficient for proper use, it shall be promptly replaced so that the value and efficiency of the System shall be at all times fully maintained.

(d) The Village will establish such rules and regulations for the control and operation of the System necessary for the safe, lawful, efficient and economical operation thereof.

(e) The Village will make and keep proper books and accounts (separate and apart from all other records and accounts of said Village), in which complete entries shall be made of all transactions relating to the System, and hereby covenants that within 120 days following the close of each Fiscal Year, it will cause the books and accounts of the System to be audited by independent certified public accountants. Said audit will be available for inspection by the holders of any of the Bonds. Each such audit, in addition to whatever matters may be thought proper by the accountants to be included therein, shall, without limiting the generality of the foregoing, include the following:

- (i) A statement in detail of income and expenditures of the System for such Fiscal Year and comparable information from the previous Fiscal Year.
- (ii) A balance sheet as of the end of such Fiscal Year, including a statement of the amount held in each of the accounts of the System Fund and comparable information from the previous Fiscal Year.
- (iii) A list of all insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, and the expiration date of the policy.
- (iv) A summary of rates in effect at the end of such Fiscal Year for services of the System and any changes in such rates effective during such Fiscal Year.
- (v) The amount and details of all Outstanding Bonds.
- (vi) The accountant's comment regarding the manner in which the Village has carried out the requirements of this Ordinance, and the accountant's recommendations for any changes or improvements in the operation of the System.

All expenses of the audit required by this section shall be regarded and paid as Operation and Maintenance Costs.

It is further covenanted and agreed that a copy of each such audit shall be furnished upon completion to the original purchaser of the Bonds, and a summary thereof shall be furnished to any bondholder upon request.

(f) The officer of the Village charged with financial management of the System shall prepare and submit to the Corporate Authorities a report for each quarter of the Fiscal Year. Such report shall contain all of the information for such quarter as set forth in the subparagraphs (i) and (ii) of the preceding paragraph (e).

(g) The Village will keep the books and accounts for the System in accordance with generally accepted fund reporting practices for municipal enterprise funds; provided, however, that the monthly credits to the Junior Bond and Interest Account shall be in cash and said funds shall be held separate and apart in cash and investments. The other accounts created hereunder shall be held in cash and investments separate and apart from the Junior Bond and Interest Account. Such accounts may be commingled only for investment purposes. For the purpose of determining whether sufficient cash and investments are on deposit in such accounts under the terms and requirements of this Ordinance, investments shall be valued using the cost method of valuation.

(h) The Village will not sell, lease, loan, mortgage or in any manner dispose of or encumber the System (subject to the right of the Village to issue Parity Bonds as provided in this Ordinance, to issue Bonds subordinate to Outstanding Bonds, and to dispose of real or personal property which is no longer useful or necessary to the operation of the System), and the Village will take no action in relation to the System which would unfavorably affect the security of the Outstanding Bonds or the prompt payment of the principal thereof and interest thereon. Any amounts received from the sale of property of the System shall be deposited to the credit of the Depreciation, Improvement and Extension Account.

(i) Any holder or registered owner of a Bond or the right to receive interest thereon may proceed by civil action to compel performance of all duties required by law and this Ordinance, including the making and collecting of sufficient charges and rates for the service supplied by the System and the application of the income and revenue therefrom.

(j) To the fullest extent reasonably obtainable, the Village will carry insurance on the System of the kinds and in the amounts which are usually carried by other municipal utilities operating similar properties, covering such risks as shall be recommended by a competent consulting engineer or insurance consultant employed by the Village for the purpose of making such recommendations. All moneys received for loss under such insurance policies shall be deposited to the credit of the Depreciation, Improvement and Extension Account and used in making good the loss or damage in respect of which they were paid, either by repairing the property damaged or making replacement of the property destroyed, and provision for making good such loss or damage shall be made within ninety (90) days from the date of the loss. The payment of premiums for all insurance policies required under the provisions of this covenant shall be considered an Operation and Maintenance Cost. The proceeds derived from any and all policies for workers' compensation or public liability shall be paid into the Operation and Maintenance Account and used in paying the claims on account of which they were received.

(k) Except as hereinabove expressly provided for services to the Village, the Village covenants not to provide any free service of the System, and, to the extent permitted by law, the Village will not grant a franchise for the operation of any competing electric system within the Village.

(l) The Village will adopt a budget for the System Fund prior to the beginning of each Fiscal Year, subject to applicable state law, providing for payment of all sums to be due in the Fiscal Year so as to comply with the terms of this Ordinance. The budget may include in its

estimate of income, the use of available surplus moneys or other funds of the Village appropriated for the purpose. If during the Fiscal Year there are extraordinary receipts or payments of unusual cost, the Village will adopt an amended budget for the remainder of the Fiscal Year, providing for receipts or payments pursuant to this Ordinance.

Section 17. Issuance of Parity Bonds

Except in compliance with the Reform Act and as otherwise expressly provided herein, the Village reserves the right to issue:

(a) Parity Bonds without limit provided that Pledged Revenues as determined as hereinbelow set out shall be sufficient to provide for or pay all of the following: (i) debt service on all Outstanding bonds payable from Pledged Revenues computed immediately after the issuance of any proposed Parity Bonds, (ii) Operation and Maintenance Expenses, (iii) all amounts required to meet any fund or account requirements with respect to such Outstanding bonds, and (iv) Reform Act Costs computed immediately after the issuance of the proposed Parity Bonds. Such sufficiency shall be calculated for each year to the final maturity of the Bonds which shall remain Outstanding after the issuance of the proposed Parity Bonds. The determination of the sufficiency of Pledged Revenues shall be supported by reference to the most recent audit of the System Fund, which audit shall be for a Fiscal Year ending not earlier than eighteen (18) months previous to the time of issuance of the proposed Parity Bonds.

If such audit shows the Pledged Revenues to be insufficient, then the determination of sufficiency may be made the following way:

- (i) The determination of sufficiency of the Pledged Revenues may be supported by the report of an independent accountant or feasibility analyst, such feasibility analyst having a national reputation for expertise in such matters, demonstrating the sufficiency of the Pledged Revenues and explaining by what means they will be greater than as shown in the audit.
 - (ii) The reference to and acceptance of an audit, an adjusted statement of the Pledged Revenues, or a report, as the case may be, and the determination of the Corporate Authorities of the sufficiency of the Pledged Revenues shall be conclusive evidence that the conditions of this Section have been met and that the Parity Bonds are properly issued hereunder; and no right to challenge such determination is granted to the registered owners of the Bonds.
- (b) Bonds or other obligations payable from Pledged Revenues subordinate to the lien of any Senior Bonds or Junior Bonds which remain Outstanding after the issuance of such bonds or other obligations.

Section 18. Use of Proceeds

The proceeds derived from the sale of the Bonds shall be used as follows:

- (a) Accrued interest, if any, shall be credited to the Junior Bond and Interest Account.

(b) \$3,785,000 shall be used, together with funds of the Village, to current refund the Refunded Bonds and shall be paid to the registered owner of the Refunded Bonds on the date of issuance of the Bonds.

(c) The remaining funds shall be used to pay the expenses of issuing the Bonds and shall be disbursed at closing to pay such costs or deposited into a separate fund, hereby created, designated the "Expense Fund" and used to pay expenses of issuance. Any excess in said fund shall be paid into the Junior Bond and Interest Account thirty (30) days after the date of issuance of the Bonds.

Section 19. Non-Arbitrage

The Corporate Authorities represent and certify as follows with respect to the Bonds:

(a) That the Village will refund the Refunded Bonds on the date of issuance of the Bonds, and in any event, no later than within 90 days of the date of issuance of the Bonds;

(b) That the Village expects that all of the money derived from the sale of the Bonds, and all of the investment earnings on said money, will be expended within six (6) months following the date of issue of the Bonds;

(c) That the Project has not been and is not expected to be sold or otherwise disposed of in whole or in part prior to the last maturity of the Bonds;

(d) That all of the proceeds of sale of and investment earnings on the Bonds are needed for paying the costs of the Refunding, including expenses incidental thereto and to the issuance of the Bonds;

(e) That the Village will receive the agreed upon purchase price plus accrued interest from the sale of the Bonds and that any accrued interest received upon the sale of the Bonds will be deposited in the Junior Bond and Interest Account and applied to the first interest due thereon;

(f) Except for the Junior Bond and Interest Account, the Village has not created or established and will not create or establish any sinking funds, reserve fund or any other similar fund to provide for the payment of the Bonds. The Junior Bond and Interest Account has been established and will be funded in a manner primarily to achieve proper matching of revenues and debt service, and will be depleted at least annually to an amount not in excess of the greater of (i) the earnings on the Junior Bond and Interest Account for the immediately preceding note year or (ii) 1/12th of the particular annual debt service on the Bonds for the immediately preceding year. Money deposited in the Junior Bond and Interest Account will be spent within a 13 month period beginning on the date of deposit, and investment earnings in the Junior Bond and Interest Account will be spent or withdrawn from the Junior Bond and Interest Account within a one year period beginning the date of receipt.

(g) The foregoing statements of expectation are based upon the following facts and estimates:

(i) Amounts shown as received will be received pursuant to contract of sale.

- (ii) Amounts paid or to be paid into various funds and accounts have been directed to be paid into said funds and accounts by authority hereof or are expected to be so directed to be paid by further proceedings.
- (iii) The anticipated dates of the obligation of and expenditure of money derived from the sale of Bonds to pay costs of the Refunding have been directed to be paid by authority hereof.
- (h) No portion of the proceeds of the Bonds will be used to reimburse the Village for expenses incurred prior to the issuance date of the Bonds.
- (i) To the best of the knowledge and belief of the Village, and of the President and Village Clerk, who are officers charged with the responsibility of issuing the Bonds, there are no facts, estimates or circumstances that would materially change the conclusions and representations set out in this Section, and the expectations set out in this Section are reasonable.
- (j) The Village has not been notified of any disqualification or proposed disqualification of it by the Commissioner of the Internal Revenue Service as a bond issuer which may certify bond issues under Treas. Reg. §1.148-2.

The Village also certifies and further covenants with the purchasers and registered owners of the Bonds from time to time outstanding that moneys on deposit in any fund or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, will not be used in a manner which will cause the Bonds to be “arbitrage bonds” within the meaning of Code Section 148 and any lawful regulations promulgated thereunder as the same presently exist or may from time to time hereafter be amended, supplemented or revised.

The Village reserves the right to use or invest moneys in connection with the Bonds in any manner, notwithstanding the covenants herein, provided it shall first have received an opinion from an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to tax-exempt bonds to the effect that use or investment of such moneys as contemplated will not result in loss of the status of interest paid and received on the Bonds as not includible in the gross income of the owners thereof under the Code for federal income tax purposes except to the extent that such interest will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations, in computing the environmental tax imposed on certain corporations and in computing the “branch profits tax” imposed on certain foreign corporations (hereinafter such status of interest on the Bonds being referred to as “tax-exempt”).

Section 20. Arbitrage Rebate Exemption

The Village recognizes that the provisions of Section 148 of the Code require a rebate to the United States in certain circumstances. An exemption to rebate requirements appears at Section 148(f)(4)(d) of the Code and applies to this issue. No rebate is required or planned by the Village. In support of this conclusion, the Village covenants, represents and certifies as follows:

- (a) The Village is a governmental unit with general taxing powers.
- (b) No Bond in this issue is a “private activity bond” as defined in Section 141(a) of the Code.
- (c) All the net proceeds of the Bonds are to be used for the local government activities of the Village described in this Ordinance (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Village).
- (d) The aggregate face amount of all tax-exempt bonds (other than “private activity bonds” as defined in the Code) issued by the Village (and all subordinate entities thereof) during the calendar year of issuance of the Bonds is not reasonably expected to exceed \$5,000,000.

Section 21. Further Tax Covenants

The Village agrees to comply with all provisions of the Code which, if not complied with by the Village, would cause the Bonds not to be tax-exempt. In furtherance of the foregoing provisions, but without limiting their generality, the Village agrees: (1) through its officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (2) to comply with all representations, covenants and assurances contained in certificates or agreements as may be prepared by counsel approving the Bonds; (3) to consult with such counsel and to comply with such advice as may be given; (4) to pay to the United States, if necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Bonds; (5) to file such forms, statements and supporting documents as may be required and in a timely manner; and (6) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Village in such compliance.

Section 22. Designation as Qualified Tax-Exempt Obligations

The Corporate Authorities recognizes that Section 265(b)(3) of the Code provides that a “qualified tax-exempt obligation” as therein defined may be treated by certain financial institutions as if it were acquired on November 7, 1986, for certain purposes. The Corporate Authorities hereby designates each of the Bonds as may be from time to time outstanding for purposes of Section 265(b)(3) of the Code as a “qualified tax-exempt obligation” as provided therein. In support of such designation, the Corporate Authorities covenants, represents and certifies as follows:

- (a) none of the Bonds are “private activity bonds” as defined in Section 141(a) of the Code;
- (b) including the Bonds, the Village (including any entities subordinate thereto) has not issued to date and does not reasonably expect to issue qualified tax-exempt obligations (other than private activity bonds) during the calendar year of issuance of the Bonds in an amount in excess of \$10,000,000; and
- (c) including the Bonds, not more than \$10,000,000 of obligations issued by the Village (including any entities subordinate thereto) during the calendar year of issuance of the Bonds have been designated to date or will be designated by the Village for purposes of said Section 265(b)(3).

Section 23. Bonds Not Private Activity Bonds

None of the Bonds is a “private activity bond” as defined in Section 141(a) of the Code. In support of such conclusion, the Village covenants, represents, and certifies as follows:

- (a) none of the proceeds of the Bonds are to be used, directly or indirectly, in any trade or business carried on by any person other than a state or local governmental unit;
- (b) no direct or indirect payments of the principal or interest are to be made on any Bond with respect to any private business use by any person other than a state or local governmental unit; and
- (c) none of the proceeds of the Bonds are to be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit; and
- (d) no user of the Project will use the same on any basis other than the same basis as the general public, and no person (as defined in the Code) will be a user of the Project as a result of (i) ownership; (ii) actual or beneficial use pursuant to a lease or a management or incentive payment; or (iii) any other arrangement.

Section 24. Registered Form

The Village recognizes that Section 149 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 Village agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form.

Section 25. Rights and Duties of Bond Registrar

The Bond Registrar shall maintain a list of the names and addresses of the holders of all Bonds and upon any transfer shall add the name and address of the new Bondholder and eliminate the name and address of the transferor Bondholder. If requested by the Bond Registrar, the President and Village Clerk of the Village are authorized to execute the Bond Registrar’s standard form of agreement between the Village and the Bond Registrar with respect to the obligations and duties of the Bond Registrar hereunder. Subject to modification by the express terms of any such agreement, such duties shall include the following:

- (a) to act as Bond Registrar, authenticating agent, paying agent and transfer agent as provided herein;
- (b) to maintain a list of registered owners and addresses as set forth herein and to furnish such list to the Village upon request, but otherwise to keep such list confidential to the extent permitted by law;
- (c) to give notice of redemption of Bonds as provided herein;
- (d) to cancel and/or destroy Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer;
- (e) to furnish the Village at least annually a certificate with respect to Bonds canceled and/or destroyed; and

- (f) to furnish the Village at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds.

The Village Clerk is hereby directed to file a certified copy of this Ordinance with the Bond Registrar.

Section 26. Discharge and Satisfaction of Bonds

The covenants, liens and pledges entered into, created or imposed pursuant to this Ordinance may be fully discharged and satisfied with respect to the Bonds, or any of them, in any one or more of the following ways:

- (a) By paying the Bond when the same shall become due and payable;
- (b) By depositing with the Paying Agent designated for the Bonds in the manner provided by this Ordinance and for such purpose, at or before the date of maturity, money in the necessary amount to pay the Bonds; and/or
- (c) By depositing in trust with a bank or trust company located in the State of Illinois for such purpose, at or before the date of maturity, direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, in an amount sufficient, including any income or increment to accrue thereon, but without the necessity of any reinvestment, to pay the Bonds, in accordance with their terms.

Upon such payment or deposit in the amount and manner provided by this Section, such Bonds shall no longer be deemed outstanding for all purposes of this Ordinance and all liability of the Village with respect to such Bonds shall cease and be completely discharged, and the holders thereof shall be entitled only to payment out of the money or securities so deposited.

Section 27. Provisions a Contract

The provisions of this Ordinance shall constitute a contract between the Village 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 28. Severability

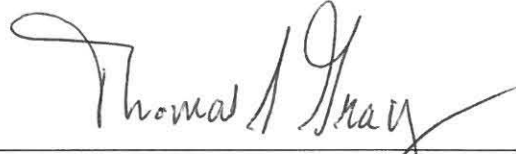
If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 29. 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.

PASSED by the Corporate Authorities on January 14, 2014.

APPROVED: January 14, 2014.



President

AYES: _____

NAYS: _____

ABSENT: _____

PUBLISHED: January 14, 2014.

RECORDED IN the Records of the Village on January 14, 2014.

ATTEST:


Village Clerk

(SEAL)



CERTIFICATE

I, Patrick F. Schad, Village Clerk of the Village of Chatham, in Sangamon County, Illinois (the "Village"), hereby certify that the foregoing Ordinance No. _____ entitled "AN ORDINANCE of the Village of Chatham, Sangamon County, Illinois, authorizing the issuance of General Obligation Refunding Bonds (Alternate Revenue Source), Series 2014, of the Village in the aggregate principal amount of \$3,805,000 for the purpose of refunding certain outstanding prior bonds of the Village" (the "Ordinance") is a true copy of an original ordinance which was duly adopted by the recorded affirmative votes of a majority of the members of the Board of Trustees of the Village (the "Board") at a meeting thereof which was duly called and held in compliance with the Open Meetings Act on January 14, 2014, and at which a quorum was present and acting throughout, and that such copy has been compared by me with the original Ordinance signed by the President of the Village and recorded in the Ordinance book of the Village and that it is a correct transcript thereof and of the whole of the Ordinance, and that the Ordinance has not been altered, amended, repealed or revoked, but is in full force and effect.

I do further certify that the deliberations of the President and the Board on the adoption of 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 of the news media requesting such notice, that an agenda for said meeting was posted at the location where said meeting was held and at the principal office of the Board at least 48 hours in advance of the holding of said meeting, and that said meeting was called and held in strict compliance with the provisions of the Open Meetings Act of the State of Illinois, as amended, the Local Government Debt Reform Act of the State of Illinois, as amended, and the Municipal Code of the State of Illinois, as amended, and that the President and Board have complied with all of the applicable provisions of said Acts and Code, and with all of the procedural rules of the Village.

I do further certify that the Ordinance was published in pamphlet form and that the Ordinance as so published was on said date readily available for public inspection and distribution, in sufficient number, at my office as Village Clerk located in the Village.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Village of Chatham, Illinois this January _____, 2014.



Village Clerk

(SEAL)

