

**VILLAGE OF CHATHAM
SANGAMON COUNTY, ILLINOIS**

ORDINANCE NO. 14-08

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUE OF A \$710,000 PROMISSORY NOTE, SERIES 2014 OF THE VILLAGE OF CHATHAM, ILLINOIS TO PAY COSTS OF A SETTLEMENT AGREEMENT WITH THE CITY OF SPRINGFIELD, ILLINOIS

Adopted by the President and Board of Trustees of the Village of Chatham, Sangamon County, Illinois on February 25, 2014.

Published in pamphlet form by the authority of the President and Board of Trustees of the Village of Chatham, Sangamon County, Illinois this February 25, 2014.

ORDINANCE NO. 08

AN ORDINANCE authorizing and providing for the issue of a \$710,000 Promissory Note, Series 2014 of the Village of Chatham, Illinois to pay costs of a settlement agreement with the City of Springfield, Illinois

PREAMBLES

WHEREAS, the Village of Chatham, 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 “Municipal Code”); and

WHEREAS, the Village operates an existing waterworks and sewerage system in accordance with Section 11-139-1 *et seq.* the Act (the “System”); and

WHEREAS, the Village and the City of Springfield, Illinois (the “City”) have settled a legal dispute regarding the purchase of water for distribution through the System pursuant to a settlement agreement between the Village and the City (the “Settlement Agreement”); and

WHEREAS, payment of the settlement is an extraordinary nonrecurring expenditure that is a liability of the System; 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 issue a promissory note of the Village finance the costs of the Settlement Agreement and the costs of issuing the promissory note (all of which costs are referred to as the “Project”); and

WHEREAS, the estimated cost of the Project is \$710,000 and the Village has insufficient funds on hand and lawfully available to pay costs of the Project, and accordingly such costs must be met from proceeds derived from the sale of the Village’s Promissory Note, Series 2014 (the “Note”) in an amount not to exceed \$710,000 as authorized by the Municipal Code, the Local Government Debt Reform Act, 30 ILCS 350/1 *et seq.* (the “Debt Reform Act”) and the Omnibus Bond Acts, 5 ILCS 70/8, as amended (collectively, the “Applicable Law”); and

WHEREAS, the following table of contents is included for convenience:

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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.

A. 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 unless the context or use clearly indicates another or different meaning is intended. Words and terms defined in the singular may be used in the plural and vice-versa. Reference to any gender shall be deemed to include the other and also inanimate persons such as corporations, where applicable. Certain definitions are as follows:

“Available Amounts” means the amounts, determined in accordance with Section 1.148-6(d)(3)(iii) of the Treasury Regulations, that are available to the Village which may, without legislative or judicial action, be used to pay costs of the System without a legislative, judicial, or contractual requirement that such amounts be reimbursed.

“Board” means the Board of Trustees of the Village.

“Clerk” means the Village Clerk of the Village.

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

“Fiscal Year” means the Village’s Fiscal Year.

“Issue Date” means the date on which the Note is issued.

“National Prime” means the “Prime Rate” of interest as published from time to time in the *Wall Street Journal* as the base rate posted by at least 70% of the nation’s 30 largest banks.

“Note Fund” means the fund established and defined in Section 13 of this Ordinance.

“Note Register” means the books of the Village kept by the Note Registrar to evidence the registration and transfer of the Note.

“Note Registrar” means Bank of Springfield, Springfield, Illinois, in its respective capacities as note registrar and paying agent hereunder, or a successor thereto or a successor designated as Note Registrar hereunder.

“Note Year” means each 1-year period that ends on each anniversary of the date on which the Note is issued and on the final maturity date of the Note.

“Note” means the \$710,000 Promissory Note, Series 2014, authorized to be issued by this Ordinance.

“Ordinance” means this Ordinance passed by the Corporate Authorities.

“President” means the President of the Board.

“Purchase Contract” is defined in Section 12.

“Purchase Price” means the price to be paid by the Purchaser pursuant to the Purchase Contract for the Note.

“Purchaser” means the purchaser of the Note, namely, Bank of Springfield, Springfield, Illinois.

“Record Date” means the 15th day of the month preceding any interest payment date on the Note.

“Regulations” means United States Treasury Regulations dealing with the tax-exempt bond provisions of the Code.

“Taxable Rate” means a floating interest rate that is not Tax-exempt and is equal to National Prime, but such floating rate shall not exceed 4.25%.

“Tax-Exempt Rate” means an interest rate that is Tax-exempt and is a fixed rate of 1.25% per annum through January 31, 2019, and thereafter a floating rate equal to National Prime minus 2.00%, but such floating rate shall not exceed 2.25%.

“Tax-exempt” means, with respect to the Note, 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 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 and in computing the “branch profits tax” imposed on certain foreign corporations.

“Treasurer” means the Treasurer of the Village.

B. Definitions also appear in specific sections, as appear below. The headings in this Ordinance are for the convenience of the reader and are not a part of this Ordinance.

Section 2. Incorporation of Preambles.

The Board hereby finds that the recitals contained in the preambles to this Ordinance are true, correct, and complete and do incorporate them into this Ordinance by this reference.

Section 3. Authorization of Agreement and Note.

It is necessary and advisable for the Village to pay the costs of the Project and to borrow money and, in evidence thereof and for the purpose of financing same, to provide for the issuance and delivery of the Note.

Section 4. Payment: Annual Budget.

The Corporate Authorities hereby represent, warrant, and agree (i) that the obligation to make the payments due under the Note shall be a lawful direct general obligation of the Village payable from the general funds of the Village, revenues of the System, and such other sources of payment as are otherwise lawfully available, (ii) that the total amount due the Seller under the Note, together with all other indebtedness of the Village, is within all statutory and constitutional debt limitations, and (iii) to budget and appropriate funds of the Village annually and in a timely manner sufficient to provide for the making of all payments when due under the terms of the Note.

Section 5. Note Details.

For the purpose of providing for costs of the Project, there is hereby appropriated the sum of \$710,000, to be derived from the proceeds of the Note. For the purpose of financing such appropriation, the Note shall be issued and sold in an aggregate principal amount of \$710,000. The Note shall each be designated "Promissory Note, Series 2014"; be dated its date of issuance; and shall also bear the date of authentication thereof. The Note shall be in fully registered form, shall be issued as one note, and shall be numbered consecutively in such fashion as shall be determined by the Note Registrar.

The outstanding principal amount of the Note will bear interest at the Tax-Exempt Rate. Interest on all or part of the outstanding principal amount of the Note is subject to adjustment at the request of the Village to the Taxable Rate. Interest on the Note will be payable on February 1 and August 1 of each year commencing August 1, 2014, 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. Principal will be paid in installments on February 1 of each of the following years and in the following amounts:

<u>Year</u>	<u>Principal Installment Amount</u>
2015	\$67,097
2016	\$67,936
2017	\$68,785
2018	\$69,645
2019	\$70,516
2020	\$69,983
2021	\$71,558
2022	\$73,168
2023	\$74,814
2024	\$76,498

A final payment of all remaining outstanding principal and interest will be paid at maturity on February 1, 2024 upon presentation.

The principal of and premium, if any, on the Note shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate office of the financial institution designated in this ordinance, acting as the Paying Agent for the Note (including any successors, the "Paying Agent"). Interest on the Note shall be payable on the interest payment date to the registered owners of record appearing on the registration books maintained by the Note Registrar on behalf of the Village for such purpose (including any successors, the "Note 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 Note shall be paid by check or draft mailed to such registered owners at their addresses appearing on the registration books. The Note Registrar shall not be required to transfer or exchange any Note 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 Note which could designate all or a part of such Note for redemption.

Section 6. Execution; Authentication.

The Note shall be executed on behalf of the Village by the manual or facsimile signatures of the President and Clerk. In case any such officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. All Notes shall have thereon a certificate of authentication, substantially in the form hereinafter set forth, duly executed by the Note Registrar as authenticating agent of the Village and showing the date of authentication. No Note 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 Note Registrar by manual signature, and such certificate of authentication upon any such Note shall be conclusive evidence that such Note has been authenticated and delivered under this Ordinance. The certificate of authentication on any Note shall be deemed to have been executed by it if signed by an authorized officer of the Note Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Note issued hereunder.

Section 7. Registration of Note; Persons Treated as Owners.

The Village shall cause books (the "Note Register" as herein defined) for the registration and for the transfer of the Note as provided in this Ordinance to be kept at the office maintained for such purpose by the Note Registrar, which is hereby constituted and appointed the registrar of the Village for the Note. The Village is authorized to prepare, and the Note Registrar or such other agent as the Village may designate shall keep custody of, multiple Note blanks executed by the Village for use in the transfer and exchange of Note. Any Note may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in this Ordinance. Upon surrender for transfer or exchange of any Note at the office of the Note Registrar maintained for the purpose, duly endorsed by or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Note Registrar and duly executed by the registered owner or an attorney for such owner duly authorized in writing, the Village shall execute and the Note 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 Note of like tenor, of the

same maturity, bearing the same interest rate, of authorized denominations, for a like aggregate principal amount. The Note Registrar shall not be required to transfer or exchange any Note during the period from the close of business on the Record Date for an interest payment to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Note or to transfer or exchange any Note all or a portion of which has been called for redemption. The execution by the Village of any fully registered Note shall constitute full and due authorization of such Note; and the Note Registrar shall thereby be authorized to authenticate, date, and deliver such Note; provided, however, the principal amount of Note authenticated by the Note Registrar shall not at any one time exceed the authorized principal amount of Note. The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Note shall be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid. No service charge shall be made to any registered owner of Note for any transfer or exchange of Note, but the Village or the Note 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 Note.

Section 8. Redemption.

The Note is subject to redemption prior to maturity at the option of the Village, in whole or in part on any date at the redemption price of par, plus accrued interest to the redemption date.

Section 9. Redemption Procedures.

The principal amount of the Note subject to redemption shall be identified, notice given, and paid and redeemed pursuant to the procedures as follows:

A. Optional Redemption. The Village shall, at least ten (10) days prior to a redemption date (unless a shorter time period shall be satisfactory to the Note Registrar), notify the Note Registrar of such redemption date of the Note to be redeemed.

B. Official Notice of Redemption. The Note Registrar shall promptly notify the Village in writing of the Note or portions of Note selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Unless waived by the registered owner of Note to be redeemed, official notice of any such redemption shall be given by the Note Registrar on behalf of the Village by mailing the redemption notice by first class U.S. mail not less than 5 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Note to be redeemed at the address shown on the Note Register or at such other address as is furnished in writing by such registered owner to the Note Registrar. All official notices of redemption shall include the name of the Note and at least the information as follows:

- (1) the redemption date;
- (2) the redemption price;
- (3) if less than all of the outstanding Note is to be redeemed, the identification (and, in the case of partial redemption of Note within

such maturity, the respective principal amounts) of the Note to be redeemed;

- (4) a statement that on the redemption date the redemption price will become due and payable upon the Note or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and
- (5) the place where the Note is to be surrendered for payment of the redemption price, which place of payment shall be the office maintained for the purpose by the Note Registrar.

C. Note Shall Become Due. Official notice of redemption having been given as described, the Note or portions of Note 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 Village shall not make full payment of the redemption price) the Note or portion of such Note shall cease to bear interest. Upon surrender of such Note for redemption in accordance with said notice, such Note shall be paid by the Note 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.

D. 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 Note, 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 Note 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 Note 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 Note Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

E. New Note in Amount Not Redeemed. Upon surrender for any partial redemption of any Note, there shall be prepared for the registered owner a new Note of like tenor, of authorized denominations, and bearing the same rate of interest in the amount of the unpaid principal.

F. Effect of Nonpayment upon Redemption. If any Note or portion of Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the redemption date at the rate borne by the Note or portion of Note so called for redemption.

G. Note to be Cancelled. All Notes which have been redeemed shall be cancelled and destroyed by the Note Registrar and shall not be reissued.

Section 10. Form of Note

The Note shall be issued in substantially the following form:

[form of Note]

THIS NOTE IS SUBJECT TO PREPAYMENT IN WHOLE OR IN PART. A PURCHASER OF THIS NOTE SHOULD CONSULT WITH THE NOTE REGISTRAR TO DETERMINE THE CORRECT PRINCIPAL AMOUNT OUTSTANDING. THIS NOTE MAY BE TRANSFERRED IN WHOLE ONLY.

**UNITED STATES OF AMERICA
STATE OF ILLINOIS**

**THE VILLAGE OF CHATHAM,
SANGAMON COUNTY
PROMISSORY NOTE
SERIES 2014**

REGISTERED NO. R-____

REGISTERED \$ _____

MATURITY DATE:

February 1, 2024

DATED DATE:

Registered Owner: _____

Principal Amount: SEVEN HUNDRED TEN THOUSAND DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Village of Chatham, Sangamon County, Illinois (the "Village") hereby acknowledges itself to owe and for value received promises to pay from the source and as hereinafter provided to the Registered Owner identified above, or registered assigns, the Principal Amount identified above and to pay interest on such Principal Amount outstanding from time to time from the later of the Dated Date of this Promissory Note identified above or from the most recent interest payment date to which interest has been paid or duly provided for.

Interest on the Note will be computed on the basis of a 360-day year consisting of twelve 30-day months, payable on February 1 and August 1 of each year commencing August 1, 2014. Principal will be paid in installments on February 1 of each of the following years and in the following amounts:

<u>Year</u>	<u>Principal Installment Amount</u>
2015	\$67,097
2016	\$67,936
2017	\$68,785
2018	\$69,645
2019	\$70,516

<u>Year</u>	<u>Principal Installment Amount</u>
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2021	\$71,558
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A final payment of all remaining outstanding principal and interest will be paid at maturity on February 1, 2024 upon presentation.

“National Prime” means the “Prime Rate” of interest as published from time to time in the *Wall Street Journal* as the base rate posted by at least 70% of the nation’s 30 largest banks.

“Taxable Rate” means a floating interest rate that is not Tax-exempt and is equal to National Prime, but such floating rate shall not exceed 4.25%.

“Tax-Exempt Rate” means a fixed rate of 1.25% per annum through January 31, 2019, and thereafter a floating rate equal to National Prime minus 2.00%, but such floating rate shall not exceed 2.25%.

“Tax-exempt” means, with respect to the Note, 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 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 and in computing the “branch profits tax” imposed on certain foreign corporations.

The outstanding principal amount of the Note will bear interest initially at the Tax-Exempt Rate. Interest on all or part of the outstanding principal amount of the Note is subject to adjustment to the Taxable Rate at the request of the Village.

The principal and interest of this Note is payable to the Registered Owner hereof as shown on the registration books of the Village maintained by Bank of Springfield, Springfield, Illinois, as paying agent and registrar (the “Note Registrar”) at the close of business on the applicable Record Date (the “Record Date”). The Record Date shall be the 15th day of the month preceding any interest or principal payment date. Principal and interest shall be paid by check or draft of the Village, payable in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Note Registrar, or as otherwise agreed by the Village and the Note Registrar.

This Promissory Note is issued as one Note in the full principal amount for the purpose of providing funds to pay the cost of a settlement agreement with the City of Springfield, Illinois and costs of issuing the Note. The Note is issued pursuant to and in all respects in compliance with the applicable provisions of the Municipal Code of the State of Illinois, as supplemented and amended, the Local Government Debt Reform Act of the State of Illinois, as amended, and the other Omnibus Bond Acts of the State of Illinois (“Applicable

Law”), and with the Ordinance No 14-08 duly passed by the President and Board of Trustees of the Village on February 25, 2014 (the “Ordinance”), in all respects as by law required, to which reference is hereby expressly made for further definitions and terms and to all the provisions of which the holder by the acceptance of this Note assents.

The Note is subject to redemption prior to maturity at the option of the Village, in whole or in part, on any date, at the redemption price of par, plus accrued interest to the redemption date.

Notice of any such redemption shall be sent by registered or certified mail not less than five (5) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Note to be redeemed at the address shown on the registration books of the Village maintained by the Note Registrar or at such other address as is furnished in writing by such registered owner to the Note Registrar. When so called for redemption, this Note 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 Note is subject to provisions relating to registration, transfer, and exchange; and such other terms and provisions relating to security and payment as are set forth in the Ordinance; to which reference is hereby expressly made; and to all the terms of which the registered owner hereof is hereby notified and shall be subject.

The Village and the Note 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 and interest due hereon and for all other purposes, and neither the Village nor the Note Registrar shall be affected by any notice to the contrary.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution and Laws of the State of Illinois to exist or to be done precedent to and in the issuance of this Note, including Applicable Law as defined herein, have existed and have been properly done, happened, and been performed in regular and due form and time as required by law; that the obligation to make payments due hereon are a lawful direct general obligation of the Village payable from the general funds of the Village, revenues of the System, and such other sources of payment as are otherwise lawfully available; that the total amount due under the Note, together with all other indebtedness of the Village, is within all statutory and constitutional debt limitations; and that the Village shall budget and appropriate funds annually and in a timely manner so as to provide for the making of all payments hereon when due. THE OWNER OF THIS NOTE ACKNOWLEDGES THAT THERE IS NO STATUTORY AUTHORITY FOR THE LEVY OF A SEPARATE TAX OR THE LEVY OF A SPECIAL TAX UNLIMITED AS TO RATE OR AMOUNT TO PAY ANY OF THE AMOUNTS DUE HEREUNDER.


The Village has designated the Note a “qualified tax-exempt obligation” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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

IN WITNESS WHEREOF, Village of Chatham, Sangamon County, Illinois has caused this Note to be executed by the manual or duly authorized facsimile signatures of the President and the Clerk of the Village, all as of the Dated Date identified above.



SEAL
ATTEST:


Clerk

THE VILLAGE OF CHATHAM,
SANGAMON COUNTY, ILLINOIS

President

CERTIFICATE OF AUTHENTICATION

This promissory note is the Promissory Note, Series 2014 of the Village of Chatham, Sangamon County, Illinois described in the within-mentioned Ordinance.

Date: _____

By: _____
Authorized Officer

Note Registrar Bank of Springfield
and Paying Agent: Springfield, Illinois

ASSIGNMENT

For value received the undersigned sells, assigns and transfers unto _____

[Name, Address and Social Security Number or FEIN of Assignee]

the within Note and hereby irrevocably constitutes and appoints _____
_____ attorney to transfer the within Promissory Note 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 Promissory Note in every particular, without alteration or enlargement or any change whatever.

Section 11. Sale of Note.

The Note shall be executed as in this Ordinance provided as soon after the passage hereof as may be, shall be deposited with the Treasurer, and shall thereupon be delivered to the Purchaser upon payment of the Purchase Price, plus accrued interest to date of delivery. The contract for the sale of the Note to the Purchaser (the "Purchase Contract") is hereby in all respects approved and confirmed, and the officer(s) of the Village designated in the Purchase Contract are authorized and directed to execute the Purchase Contract on behalf of the Village, it being hereby declared that, to the best of the knowledge and belief of the members of the Corporate Authorities, after due inquiry, no person holding any office of the Village or the Corporate Authorities, 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 Purchase Contract for the sale of the Note to the Purchaser.

Section 12. Creation of Funds and Appropriations.

(a) The Village shall pay principal and interest on the Note when due. In the event the Village determines to set aside moneys to make such principal and interest payments, the Village shall create the "2014 Promissory Note Fund" (the "Note Fund"), which shall be the fund for the payment of the principal of and interest on the Note. Moneys deposited into the Note Fund shall be used solely and only for the purpose of paying the principal of and interest on the Note. Interest income or investment profit earned in the Note Fund shall be retained in the Note Fund for payment of the principal of or interest on the Note on the interest payment date next after such interest or profit is received or, to the extent lawful and as determined by the Village, transferred to such other fund as may be determined.

(b) The proceeds of the Note shall be used to pay expenses at the time of issuance of the Note and Project costs within thirty (30) days of the Issue Date . Prior to expenditure, proceeds of the Note shall be invested by the appropriate officers of the Village in any lawful manner. Investment earnings shall be expended on costs of the Project or deposited in the Note Fund and used to pay principal and interest on the Note.

Section 13. Tax Covenants.

The Village represents, certifies and agrees as follows with respect to the Note:

(a) All of the proceeds of sale of and investment earnings on the Note are needed for paying the costs of the Project, including expenses incidental thereto and to the issuance of the Note.

(b) The Village will receive the agreed upon purchase price from the sale of the Note.

(c) Except for the Note Fund, 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 Note. The Note Fund 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 1/12th of the earnings on the Note Fund for the immediately preceding Note Year; or 1/12th of the principal and interest payments on the Note for the immediately preceding Note Year. Money deposited in the Note Fund will be spent within a 13 month period beginning on the date of deposit, and investment earnings in the Note Fund will be spent or withdrawn from the Note Fund within a one year period beginning the date of receipt.

(d) Payment of the Settlement is an extraordinary, nonrecurring item that is not customarily payable from current revenues of the System. Payment of the Settlement from moneys other than revenues of the System must be repaid. The Village does not have insurance coverage or a reserve to pay the Settlement and the Village has not set aside other amounts to pay the Settlement. It is necessary that the term of the Note be greater than thirteen months and the Note is not outstanding longer than is reasonably necessary to accomplish the governmental purpose of the Note.

(e) The maturity schedule for the Note has been established independent of any arbitrage benefit to the Village and the Village would establish the same maturity schedule for the Note if the interest on the Note were not excludable from gross income under Section 103(a) of the Code (assuming that the hypothetical taxable rate would be the same as the actual tax- exempt interest rate).

(f) The Village does not reasonably expect to have Available Amounts to pay the Note prior to April 30, 2018. Upon conclusion of the Village's Fiscal Year ending April 30, 2018 and each Fiscal Year thereafter, the Village shall compute the Village's Available Amounts and shall prepay principal of the Note bearing interest at the Tax-Exempt Rate or adjust the interest rate to the Taxable Rate in the sum of such Available Amounts within 90 days of the conclusion of such Fiscal Year.

(g) The maturity schedule for the Note provides the Village with a reasonable and affordable debt service expense over the term of the Note based upon the Village's economic condition.

(h) Except for moneys invested for a temporary period in accordance with the Regulations, no amount of the proceeds of the Note shall be invested at a yield "materially higher" (as defined in the Regulations hereinafter cited) than the yield on the Note. In valuing the moneys at any time for the purposes of complying with this paragraph, investments will be taken into account at purchase price with the following exception: if an investment is purchased at a discount or results in interest payments or any annual period in excess of interest payments for any preceding annual period (reflecting the annual reinvestment of accrued interest as principal), the amount of such discount or excess interest (not discounted to present value) shall be added to the purchase price ratably each year over the term of the investment. The yield on investments shall be calculated on the basis of the actual payments received from and the price paid for such investments.

(i) No portion of the proceeds of the Note will be used to reimburse the Village for expenses incurred prior to the issuance date of the Note other than in compliance with Regulations §1.150-2.

(j) To the best of the knowledge and belief of the Corporate Authorities, and of the President and Clerk, who are officers charged with the responsibility of issuing the Note, 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.

(k) 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 Regulations §1.148-2.

(l) The Village also certifies and further covenants with the purchasers and registered owners of the Note from time to time outstanding that moneys on deposit in any fund or account in connection with the Note, whether or not such moneys were derived from the proceeds of the sale of the Note or from any other source, will not be used in a manner which will cause the Note to be "arbitrage bonds" within the meaning of Code Section 148 and any lawful regulations promulgated thereunder, including Regulations §1.148-OT *et seq.* as the same presently exist or may from time to time hereafter be amended, supplemented or revised.

(m) The Village reserves the right to use or invest moneys in connection with the Note 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 Note 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.

(n) One purpose of this Section is to set forth various facts regarding the Note and to establish the expectations of the Board and the Village as to future events regarding the Note and the use of Note proceeds. The certifications, covenants and representations contained herein and at the time of the Closing are made on behalf of the Village for the benefit of the owners from time to time of the Note. In addition to providing the certifications, covenants and representations contained herein, the Village 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 Note) if taking, permitting or omitting to take such action would cause any of the Note to be an arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause the interest on the Note to be included in the gross income of the recipients thereof for federal income tax purposes. The Village 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 Note, under present rules, the Village is 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.

(o) The Village agrees to comply with all provisions of the Code which, if not complied with by the Village, would cause the Note 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 Note or agreements as may be prepared by counsel approving the Note; (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 Note; (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.

(p) The Village also agrees and covenants with the purchasers and holders of the Note from time to time outstanding that, to the extent possible under Illinois law, it will comply with whatever federal tax law is adopted in the future which applies to the Note and affects the tax-exempt status of the Note.

(q) The Board hereby authorizes the officials of the Village responsible for issuing the Note, the same being the President, Clerk and the Treasurer to make such further covenants and certifications as may be necessary to assure that the use thereof will not cause the Note to be arbitrage bonds and to assure that the interest on the Note will be exempt from federal income taxation. In connection therewith, the Village and the Corporate Authorities further agree: (a) through their officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to consult with counsel approving the Note and to comply with such advice as may be given; (c)

to pay to the United States, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Note; (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 their officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the Village in such compliance.

Section 14. 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 Note in this issue is a “private activity bond” as defined in Section 141(a) of the Code.
- (c) All the net proceeds of the Note 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 obligations (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 Note is not reasonably expected to exceed \$5,000,000.

Section 15. Rebate Fund.

The Village hereby establishes a special fund, designated as the “Rebate Fund”. In the event that the Village shall invest moneys in any investments which generate income that must be rebated or paid to the United States of America pursuant to §148(f) of the Code, such income shall be deposited in the Rebate Fund. Moneys in the Rebate Fund shall be applied to pay such sums as are required to be paid to the United States of America pursuant to §148(f) of the Code and are hereby appropriated and set aside for such purpose.

Section 16. Designation as Qualified Tax-Exempt Obligations.

The Corporate Authorities recognize 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 August 7, 1986, for certain purposes. The Corporate Authorities on behalf of the Village hereby designate each of the Note 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 covenant, represent and certify as follows:

- (a) the Note is not a “private activity bond” as defined in Section 141(a) of the Code;
- (b) including the Note, 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 Note in an amount in excess of \$10,000,000; and

(c) including the Note, 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 Note have been designated to date or will be designated by the Village for purposes of said Section 265(b)(3).

Section 17. Note Not a Private Activity Bond.

The Note is not a "private activity bond" as defined in Section 141(a) of the Code and in support thereof, the Village covenants, represents, and certifies as follows:

(a) none of the proceeds of the Note 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 Note with respect to any private business use by any person other than a state or local governmental unit;

(c) none of the proceeds of the Note 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 such 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 18. Pertaining to the Note Registrar.

If requested by the Note Registrar, any officer of the Village is authorized to execute a standard form of agreement with the Note Registrar with respect to the obligations and duties of the Note Registrar under this Ordinance. In addition to the terms of such agreement and subject to modification thereby, the Note Registrar by acceptance of duties under this Ordinance agrees (a) to act as registrar, paying agent, authenticating agent, and transfer agent as provided herein; (b) to maintain a list of Noteholders 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 cancel and/or destroy Note which have been paid at maturity or upon redemption or submitted for exchange or transfer; (d) to furnish the Village at least annually a Note with respect to Note cancelled and/or destroyed; and (e) to furnish the Village at least annually an audit confirmation of Note paid, Note outstanding and payments made with respect to interest on the Note. The Village, covenants with respect to the Note Registrar, and the Note Registrar further covenants and agrees as follows:

(a) The Village shall at all times retain a Note Registrar with respect to the Note; it will maintain at the designated office(s) of such Note Registrar a place or places where Note may be presented for payment, registration, transfer, or exchange; and it will require that the Note Registrar properly maintain the Note Register and perform the other duties and obligations imposed upon it by this Ordinance in a manner consistent with the standards, customs, and practices of the municipal securities industry.

(b) The Note Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Ordinance by executing the certificate of authentication on any Note, and by such execution the Note Registrar 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 Note so authenticated but with respect to all the Note. Any Note Registrar shall

be the agent of the Village and shall not be liable in connection with the performance of its duties except for its own negligence or willful wrongdoing. Any Note Registrar shall, however, be responsible for any representation in its certificate of authentication on Note.

(c) The Village may remove the Note Registrar at any time. In case at any time the Note Registrar shall resign, shall be removed, shall become incapable of acting, or shall be adjudicated a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Note Registrar or of the property thereof shall be appointed, or if any public officer shall take charge or control of the Note Registrar or of the property or affairs thereof, the Village covenants and agrees that it will thereupon appoint a successor Note Registrar. The Village shall give notice of any such appointment made by it to each registered owner of any Note within twenty days after such appointment in the same manner, or as nearly the same as may be practicable, as for a redemption of Note. Any Note Registrar appointed under the provisions of this Section shall be an officer of the Village or a bank, trust company, or national banking association maintaining its principal corporate trust office in Illinois and having capital and surplus and undivided profits in excess of \$10,000,000. The Clerk is hereby directed to file a certified copy of this Ordinance with the Note Registrar and the Note Registrar.

Section 19. Severability.

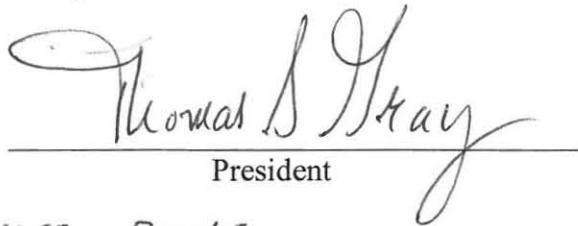
If any section, paragraph, clause or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 20. Repeal.

All Ordinances or parts thereof in conflict herewith be and the same are hereby repealed and this Ordinance shall be in full force and effect forthwith upon its adoption.

PASSED by the Corporate Authorities on February 25, 2014.

APPROVED: February 25, 2014.



President

AYES: 6 CLAYTON KIMSEY BOYLE
6 HOLDEN FORMEA SCHOTTEMAN

NAYS: 0

ABSENT: 0

PUBLISHED: February 25, 2014.

RECORDED IN the Records of the Village on February 25, 2014.

ATTEST:


Village Clerk

(SEAL)



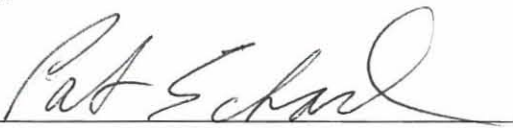
CERTIFICATE

I, Patrick F. Schad, Village Clerk of the Village of Chatham, in Sangamon County, Illinois (the "Village"), hereby certify that the foregoing Ordinance No. 14-08 entitled "AN ORDINANCE authorizing and providing for the issue of a \$710,000 Promissory Note, Series 2014 of the Village of Chatham, Illinois to pay costs of a settlement agreement with the City of Springfield, Illinois" (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 February 25, 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 March 7, 2014.


Village Clerk

(SEAL)

