

ORDINANCE NO. 787

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF UP TO \$300,000 WATERWORKS REFUNDING REVENUE BONDS, SERIES 1998, OF THE CITY OF LeROY, McLEAN COUNTY, ILLINOIS, FOR THE PURPOSE OF REFUNDING CERTAIN PRIOR BONDS, PRESCRIBING THE DETAILS OF SUCH REFUNDING BONDS AND PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF THE WATERWORKS SYSTEM OF THE CITY OF LeROY, ILLINOIS.

PREAMBLES

WHEREAS, the City of LeRoy, McLean County, Illinois (the "Municipality") operates its municipally-owned waterworks system (the "System"), separate and apart from its sewerage system, in accordance with the provisions of Division 129 of Article 11 of the Illinois Municipal Code (Section 11-129-1 et seq. of Chapter 24 of the Illinois Revised Statutes, as supplemented and amended); and

WHEREAS, the City Council of the Municipality (together with the Mayor, the "Corporate Authorities") pursuant to Ordinance No. 320, AN ORDINANCE authorizing and providing for the issuance of up to \$400,000 Waterworks Refunding Revenue Bonds, Series 1988, of the City of LeRoy, McLean County, Illinois, for the purpose of refunding certain prior bonds, prescribing the details of such refunding bonds and providing for the collection, segregation and distribution of the revenues of the waterworks system of the City of LeRoy, Illinois, passed and approved by the Municipality's City Council on April 18, 1988 (the "Prior Bond Ordinance") determined that it was advisable, necessary and in the best interests of the Municipality's public health, safety and welfare to undertake a project providing for the construction of System facilities (the "1988 Project"); and

WHEREAS, the Municipality has outstanding obligations which are payable from and to which are pledged the revenues of the System, such obligations being those waterworks revenue bonds which are outstanding and unpaid under and pursuant to the Prior Bond Ordinance (the "Prior Bonds"); and

WHEREAS, the cost of refunding the Prior Bonds and related legal, financial, bond discount, printing and publication costs, and other expenses preliminary to and in connection therewith, is to be paid in part from proceeds of the hereinafter described Bonds; and

WHEREAS, the Corporate Authorities have determined that it is necessary and in the best interests of the Municipality to prepay and redeem the Prior Bonds prior to maturity; and

Illinois Compiled Statutes), as supplemented and amended, including without limitation by the Registered Bond Act, The Local Government Credit Enhancement Act, the Illinois Bond Replacement Act, the Bond Authorization Act and the Local Government Debt Reform Act.

(2) **"Bond"** or **"Bonds"** means the Municipality's \$300,000 Waterworks Refunding Revenue Bonds, Series 1998, authorized to be issued by this ordinance.

(3) **"Code"** means the Internal Revenue Code of 1986, as amended.

(4) **"Corporate Authorities"** means the Mayor and the City Council of the Municipality.

(5) **"Fiscal Year"** means twelve-month period beginning May 1 of the calendar year and ending on the next succeeding April 30.

(6) **"Gross Revenues"** means all income from whatever source derived from the System, including (i) investment income; (ii) connection, permit and inspection fees and the like; and (iii) penalties and delinquency charges, but excluding expressly (a) nonrecurring income from the sale of real estate; (b) governmental or other grants to or from the Municipality; (c) advances or grants made from the Municipality; (d) capital development, reimbursement, or recovery charges and the like; (e) annexation or preannexation charges; and (f) as otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

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

(8) **"Municipality"** means the City of LeRoy, McLean County, Illinois.

(9) **"Net Revenues"** means Gross Revenues minus Operation and Maintenance Expenses.

(10) **"Operation and Maintenance Expenses"** means all expenses of operating, maintaining and routine repair of the System, including wages, salaries, costs of materials and

WHEREAS, the Municipality has insufficient funds to prepay and redeem the Prior Bonds and, therefore, must borrow money and issue Bonds in evidence thereof up to the aggregate principal amount of \$300,000 under and pursuant to the provisions of Division 4 of Article 8 of the Illinois Municipal Code (Section 8-4-1 et seq. of Chapter 65 of the Illinois Compiled Statutes, as supplemented and amended, the "Act"); 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:

	<u>Page</u>
Preambles	1
Section 1. Definitions	2
Section 2. Incorporation of Preambles	4
Section 3. Determination to Issue Bonds	4
Section 4. Determination of Useful Life	5
Section 5. Bond Details	5
Section 6. Registration of Bonds;	6
Section 7. Redemption	7
Section 8. Amendment.	9
Section 9. Form of Bonds.	9
Section 10. Bonds Limited Obligations.	17
Section 11. System Fund and Accounts	17
Section 12. Flow of Funds.	17
Section 13. General Covenants.	22
Section 14. Issuance of Parity Bonds	25
Section 15. Sale of Bonds and Redemption of Prior Bonds.	27
Section 16. Use of Proceeds, Redemption Fund	27
Section 17. Provisions a Contract.	28
Section 18. Non-Arbitrage.	29
Section 19. Registered Form.	32
Section 20. List of Bondholders.	32
Section 21. Duties of Bond Registrar and Paying Agent.	32
Section 22. Small Issuer Provisions and Designation.	33
Section 23. Severability	33
Section 24. Repealer	33
Section 25. Publication and Notice	33

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LeROY, McLEAN 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) "Act" means Division 4 of Article 8 of the Illinois Municipal Code (Section 5/8-4-1 et seq. of Chapter 65 of the

supplies, power, fuel, insurance, purchase of water treatment services; but excluding debt service, depreciation, or any reserve requirements, and otherwise as determined in accordance with generally accepted accounting principles for municipal enterprise funds.

(11) **"Outstanding Bonds"** means the Bonds, the Prior Bonds and the Parity Bonds which are outstanding and unpaid; provided, however, such term shall not include the Bonds, the Prior Bonds or the 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 Municipality 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.

(12) **"Parity Bonds"** means bonds or any other obligations to be issued subsequent in time to the Bonds and which will share ratably and equally in the earnings of the System with the Bonds.

(13) **"Project"** means the improvements to the System set forth in the preambles to this ordinance, refinanced, acquired, constructed and installed in connection with proceeds of the Prior Bonds.

(14) **"System"** refers to all property, real, personal or otherwise owned or to be owned by the Municipality or under the control of the Municipality, and used for waterworks or water supply system, including the Project and any and all further extensions, improvements and additions to the System or the Project.

(15) **"System Fund"** or **"Water Fund"** means the **"Water Fund of the City of LeRoy"** created and established, or continued, as the case may be, by this ordinance.

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

Section 3. Determination to Issue Bonds. It is necessary and in the best interests of the Municipality to prepay and redeem the Prior Bonds and to issue the Bonds to pay for such prepayment redemption. It is the intent of the Corporate Authorities to invoke all supplemental power and authority

available under and pursuant to the Registered Bond Act, The Local Government Credit Enhancement Act, the Illinois Bond Replacement Act, the Bond Authorization Act and the Local Government Debt Reform Act. No Bonds shall be issued, sold and delivered under and pursuant to this ordinance unless and until provisions have been made to prepay, retire and redeem the Prior Bonds within 30 days of the issuance sale and delivery of the Bonds and funds have been concurrently therewith irrevocably deposited and pledged for such prepayment, retirement and redemption.

Section 4. Determination of Useful Life. The Corporate Authorities hereby determine the period or usefulness of the the Project's improvements to the System to not expire prior to May 1, 2008.

Section 5. Bond Details. For the purpose of prepaying, retiring and redeeming the Prior Bonds, there shall be issued and sold Bonds in a principal amount up to \$300,000. The Bonds shall each be designated "Waterworks Refunding Revenue Bond, Series 1998" and be dated February 15, 1998 (or otherwise after such date and as of or before the date of the issuance, sale and delivery thereof as the purchaser or purchasers of the Bonds agree or accept), shall bear the date of authentication, shall be in fully registered form, shall be in denominations of \$1,000 each and authorized integral multiples thereof, shall be numbered 1 and upward, bear interest, payable May 1, 1998, and semiannually thereafter on November 1 and May 1 in each year and upon prepayment thereof prior to maturity, and the Bonds shall become due and payable serially, subject to the right of prior redemption hereinafter stated, on May 1 of each of the years and in the amounts, as follows:

<u>Year</u>	<u>Principal Amount(\$)</u>	<u>Interest Rate (%)</u>
1998	20,000	5.00
1999	24,000	5.00
2000	25,000	5.00
2001	27,000	5.00
2002	29,000	5.00
2003	31,000	5.00
2004	33,000	5.00
2005	35,000	5.00
2006	37,000	5.00
2007	39,000	5.00

The Bonds shall bear interest from the later of their date or the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of the Bonds is paid, such interest (computed upon the basis of a 360-day year of twelve 30-day months) shall be paid by check or draft of Busey Bank, Urbana (acting through its LeRoy branch), Illinois, as the paying agent (the "Paying Agent"), payable in lawful money of the United States of America, to the person in

whose name such Bonds are registered at the close of business on the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding each interest payment date. The principal of the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the principal office of the Paying Agent.

The Bonds shall be signed by the manual or facsimile signature of the Mayor of the Municipality, and shall be attested by the manual or facsimile signature of the Clerk of the Municipality, and the corporate seal of the Municipality shall be affixed thereto or printed thereon, and in case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

All Bonds shall have thereon a certificate of authentication substantially in the form hereinafter set forth duly executed by Busey Bank, Urbana (acting through its LeRoy branch), Illinois, as Bond registrar (the "Bond Registrar"), as authenticating agent of the Municipality and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this ordinance. The certificate of authentication on any Bond shall be deemed to have been executed by 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 6. Registration of Bonds. The Municipality shall cause books (the "Bond Register") for the registration and for the transfer of the Bonds as provided in this ordinance to be kept at the principal office of the Bond Registrar, which is hereby constituted and appointed the registrar of the Municipality. The Municipality is authorized to prepare, and the Bond Registrar shall keep custody of multiple Bond blanks executed by the Municipality for use in the transfer and exchange of Bonds.

Upon surrender for transfer of any Bond at the principal office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by, the registered owner thereof or such registered owner's attorney duly authorized in writing, the Municipality shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds of the same maturity of authorized denominations, for a

like aggregate principal amount. Any fully registered Bond or Bonds may be exchanged at the office of the Bond Registrar for a like aggregate principal amount of Bond or Bonds of the same maturity of other authorized denominations. The execution by the Municipality of any fully registered Bond shall constitute full and due authorization of such Bond and the Bond Registrar shall thereby be authorized to authenticated date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less previous retirements.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning on the fifteenth (15th) day of the calendar month next preceding any interest payment date on such Bond and ending on such interest payment date, or to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, or during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bond shall be made only to or upon the order of the registered owner thereof or his, her or its legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums to be paid.

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

Section 7. Redemption. With the written consent of the registered owners of all Outstanding Bonds or with funds on deposit under Section 12(e)(2) (the "Surplus Redemption"), and not otherwise, the Bonds are subject to redemption prior to maturity in whole on any date or in part on any interest payment date, on and after November 1, 1998, at the option of the Municipality in integral multiples of \$1,000 in inverse order of their maturity (less than all of the Bonds of a single maturity to be selected by lot as the Bond Registrar determines), at the redemption price of par plus accrued interest to the redemption date.

The Bonds shall be redeemed only in the principal amount of \$1,000 each and integral multiples thereof. The Municipality at least forty-five (45) days prior to the redemption date (unless a shorter time period shall be

satisfactory to the Bond Registrar) shall notify the Bond Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected at least thirty (30) days prior to the redemption date by the Bond Registrar from the outstanding Bonds or the longest maturity or maturities by such method as the Bond Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$1,000 and integral multiples thereof.

The Bond Registrar shall promptly notify the Municipality in writing of the Bonds or portion of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Unless waived by the registered owner or owners of Bonds to be redeemed, presentment being deemed conclusively a waiver, notice of the call for any such redemption shall be given by the Bond Registrar on behalf of the Municipality by mailing the redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner or owners of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner or owners to the Bond Registrar.

All notices of redemption shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts in integral multiples of \$1,000) of the Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and, upon the deposit of funds therefor with the Paying Agent, that interest thereon shall cease to accrue from and after such redemption 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 Paying Agent.

Prior to any redemption date, the Municipality shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds

which are to be redeemed on that date. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall on the redemption date become due and payable at the redemption price therein specified, and from and after such date (unless the Municipality shall not have sufficient funds so on deposit for the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with the notice therefor, such Bonds shall be paid by the Paying Agent at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner thereof a new Bond or Bonds of the same maturity in the amount of the unpaid principal.

If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued.

Parity Bonds hereinafter issued pursuant to the terms hereof may be redeemable at such times and upon such terms as may be determined at the time of authorization thereof.

Section 8. Amendment. The rights and obligations of the Municipality and of the registered owners of Outstanding Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Corporate Authorities with the written consent of the registered owners of not less than two-thirds (2/3rds) of the principal amount of all Outstanding Bonds (excluding any of such Outstanding Bonds owned by or under the control of the Municipality); provided, however, that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate on, or permit the creation of a preference or priority of any Outstanding Bond or Outstanding Bonds over any other Outstanding Bond or Outstanding Bonds, or otherwise alter or impair the obligation of the Municipality to pay the principal and interest on any of the Outstanding Bonds at the time, place, rate, and in the currency provided therein, without the express consent of the registered owners of all the Outstanding Bonds affected; nor shall any such modification or amendment reduce the percentage of the registered owners of Outstanding Bonds required for written consent of such modification or amendment without the consent of the registered owners of all of the Outstanding Bonds.

Section 9. Form of Bonds. Unless the purchaser or purchasers of the Bonds shall agree to accept typewritten or other temporary Bonds in lieu of or preliminary to the availability of Bonds in definitive form prepared in compliance

with the National Standard Specifications for Fully Registered Municipal Securities prepared by the American National Standards Institute, Bonds shall comply therewith, and in any event shall be in substantially the following form [provided, however, that if the text of the Bond is to be printed in its entirety on the front side of the Bond, then paragraph and the legend, "See Reverse Side for Additional Provisions," shall be omitted and paragraphs through [16] shall be inserted immediately after paragraph [1] and that other appropriate insertions, deletions and modifications in the form of the Bonds may be made, including the issuance of a single Bond with multiple maturities, as the purchaser or purchasers thereof agree or accept, in an appropriate form prepared by Bond counsel, not inconsistent herewith]:

[The remainder of this page is intentionally left blank.]

(Form of Bond - Front Side)

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTY OF McLEAN
CITY OF LeROY

WATERWORKS REFUNDING REVENUE BOND, SERIES 1998

:See Reverse Side:
:for Additional
:Provisions _____:

CUSIP _____

Interest Maturity Dated
Rate: _____% Date: May 1, _____ Date: _____, 1998

Registered Owner:

Principal Amount:

[1] KNOW ALL BY THESE PRESENTS, that the City of LeRoy, McLean County, Illinois (the "Municipality"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, solely from the Water Fund of the City of LeRoy (the "Fund") as hereinafter described, and not otherwise, on the Maturity Date identified above the Principal Amount identified above, payable upon presentation and surrender hereof to the hereinafter described Paying Agent, in lawful money of the United States of America and to pay interest on such Principal Amount from the later of the Dated Date of this Bond or the most recent interest payment date to which interest has been paid at the Interest Rate per annum set forth above on May 1 and November 1 of each year, commencing May 1, 1998, until such Principal Amount is paid. Principal of this Bond is payable in lawful money of the United States of America at Busey Bank, Urbana (acting through its LeRoy branch), Illinois, as paying agent (the "Paying Agent"). Payment of the semiannual installments of interest hereon shall be made to the Registered Owner hereof as shown on the registration books of the Municipality maintained by Busey Bank, Urbana (acting through its LeRoy branch), Illinois (the "Bond Registrar"), at the close of business on the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding each interest payment date and shall be paid by check or draft of the Paying Agent 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 Bond Registrar.

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

[3] It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have been done and have happened and have been performed in regular and due form of law and that provision has been made for depositing in the Fund the entire revenues received from the operation of the Municipality's waterworks system to be applied in the manner as hereinabove set forth; and the Municipality hereby covenants and agrees that it will fix and maintain rates for the use and service of the Municipality's waterworks system and collect and account for the revenues derived therefrom sufficient at all times to pay operation and maintenance expenses, to provide adequate depreciation and reserve funds, to promptly pay the principal of and interest on all obligations issued by the Municipality which are payable solely from the revenues of the System, and to comply with all the covenants of and to maintain the accounts created by the ordinance pursuant to which this Bond and the series of Bonds of which it is a part are issued.

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

[5] IN WITNESS WHEREOF, the City of LeRoy, McLean County, Illinois, by its City Council, has caused this Bond to be signed by the manual or facsimile signature of the Mayor of the Municipality and attested by the manual or facsimile signature of the Clerk of the Municipality, and its corporate seal to be affixed hereto or printed hereon, all as of the Dated Date identified above.

CITY OF LeROY, ILLINOIS

By: Robert Rice
Mayor

ATTEST:

[Signature]
Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This Bond is one of the Bonds described in the within mentioned Bond Ordinance and is one of the Waterworks Refunding Revenue Bonds, Series 1998, of the City of LeRoy, McLean County, Illinois.

BUSEY BANK, Urbana (acting through its LeRoy branch), Illinois, as Bond Registrar

By _____
Authorized Officer

Bond Registrar Busey Bank
and Paying Agent: Urbana (acting through
 its LeRoy branch), Illinois

[The remainder of this page is intentionally left blank.]

[Form of Bond - Reverse Side]

CITY OF LeROY
McLEAN COUNTY, ILLINOIS
WATERWORKS REFUNDING REVENUE BOND, SERIES 1998

[6] This bond and the bonds of the series of which it forms a part ("Bond" and "Bonds", respectively) are payable solely from the Net Revenues derived from the operation of the waterworks system of the Municipality (the "System"), and not otherwise, and are issued under authority of the provisions of Division 4 of Article 8 of the Illinois Municipal Code (Section 5/8-4-1 et seq. of Chapter 65 of the Illinois Compiled Statutes, as supplemented and amended, the "Act"), for the purpose of paying a part of the cost of prepaying, retiring and redeeming certain outstanding revenue bonds of the Municipality (the "Prior Bonds") issued under and pursuant to Ordinance No. 320, AN ORDINANCE authorizing and providing for the issuance of up to \$400,000 Waterworks Refunding Revenue Bonds, Series 1988, of the City of LeRoy, McLean County, Illinois, for the purpose of refunding certain prior bonds, prescribing the details of such refunding bonds and providing for the collection, segregation and distribution of the revenues of the waterworks system of the City of LeRoy, Illinois, passed and approved by the Municipality's City Council on April 18, 1988 (the "Prior Bond Ordinance"). The Bonds are issued pursuant to the Act and Ordinance No. 787, An Ordinance authorizing and providing for the issuance of up to \$300,000 Waterworks Refunding Revenue Bonds, Series 1998, of the City of LeRoy, McLean County, Illinois, for the purpose of refunding certain prior bonds, prescribing the details of such refunding bonds and providing for the collection, segregation and distribution of the revenues of the waterworks system of the City of LeRoy, Illinois, passed by the Municipality's City Council (the "Corporate Authorities") on the 16th day of February, 1998 (the "Bond Ordinance"), to which reference is hereby expressly made for further definitions and terms and to all the provisions of which the Registered Owner by the acceptance of this Bond assents. This Bond does not constitute an indebtedness of the Municipality within the meaning of any constitutional or statutory provision or limitation.

[7] This Bond is one of an authorized issue of up to Three Hundred Thousand Dollars (\$300,000), of like tenor, issued as provided in the Bond Ordinance, except as to date and maturity. With the written consent of the registered owners of all Outstanding Bonds or pursuant to Surplus Redemption (as provided in the Bond Ordinance), the Bonds are subject to redemption prior to maturity at the option of the Municipality in whole on any date or in part on any interest payment date, in integral multiples of \$1,000 in inverse order of their maturity (less than all the Bonds of a single maturity to be selected by the Bond Registrar in such manner as it shall deem fair and

appropriate), on and after November 1, 1998, at the redemption price of par plus accrued interest to the redemption date.

[8] Notice of any such redemption shall be sent by registered or certified mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books of the Municipality maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar. When so called for redemption, this Bond will cease to bear interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

[9] Parity Bonds may be issued pursuant to the terms of the Bond Ordinance.

[10] Under the Act and the Bond Ordinance, the revenues from the operation of the System shall be deposited in the Fund, which shall be used only and is hereby pledged for paying Operation and Maintenance Expenses of the System, providing adequate reserve and depreciation funds, paying the principal of and interest on all obligations of the Municipality that are payable by their terms only from the revenues of the System, and in making all payments required to maintain the accounts established under the terms of the Bond Ordinance.

[11] The rights and obligations of the Municipality and of the holders of the Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Corporate Authorities with the written consent of the registered owners of not less than two-thirds (2/3rds) of the principal amount of all Outstanding Bonds, which includes obligations on a parity with the Bonds (excluding any of such obligations owned by or under the control of the Municipality); provided, however, that no such modification or amendment shall extend or change the maturity of, or date of redemption prior to maturity, or reduce the interest rate, or permit the creation of a preference or priority of any Outstanding Bond or Outstanding Bonds over any other Outstanding Bond or Outstanding Bonds, or otherwise alter or impair the obligation of the Municipality to pay the principal of and interest on any of the Outstanding Bonds at the time, place, rate and in the currency provided therein without the express consent of the registered owners of all the Outstanding Bonds affected; nor shall any such modification or amendment reduce the percentage of the registered owners of Outstanding Bonds required for the written consent to such modification or amendment without the consent of the registered owners of all of the Outstanding Bonds.

[12] The Bonds and bonds issued on a parity therewith (including the Prior Bonds) are co-equal as to the lien on the revenues of the System for their payment and share ratably,

without any preference, priority, or distinction, the one over the other, as to the source or method of payment and security of the Outstanding Bonds.

[13] This Bond is transferable by the Registered Owner hereof in person or by his, her or its attorney duly authorized in writing at the principal office of the Bond Registrar in Urbana, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning on the fifteenth (15th) day of the month next preceding any interest payment date on such Bond and ending on such interest payment date, or to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, or during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

[14] The Bonds are issued in fully registered form in the denomination of \$1,000 each or authorized integral multiples thereof. This Bond may be exchanged at the principal office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations, upon the terms set forth in the authorizing ordinance.

[15] The Bonds have been designated by the Municipality as "**qualified tax-exempt obligations**" under Section 265(b) (3) of the Internal Revenue Code of 1986.

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

(ASSIGNMENT)

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

(Name, Address, and Tax Identification Number of Assignee) the within Bond and does hereby irrevocably constitute and appoint

attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

DATED: _____

SIGNATURE GUARANTEED: _____

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

Section 10. Bonds Limited Obligations. The Bonds shall be payable solely from the Net Revenues as derived from the operation of the System, and other available and duly and effectively appropriated or budgeted funds therefor (as actually deposited into the Fund, "other Available Funds"), and shall not constitute an indebtedness of the Municipality within the meaning of any constitutional or statutory limitation.

Section 11. System Fund and Accounts. Upon the issuance of any of the Bonds, the System shall be operated on a Fiscal Year basis. All of the revenues from any source whatsoever derived from the operation of the System, together with any other Available Funds therefor, shall be set aside as collected and be deposited in a separate fund and in an account in a bank to be designated or continued, as the case may be, by the Corporate Authorities, which fund is hereby created, designated or continued, as the case may be, as the "Water Fund of the City of LeRoy" (the "Fund" or the "System Fund") of the Municipality, which shall constitute a trust fund for the sole purpose of carrying out the covenants, terms, and conditions of this ordinance, and shall be used only in paying operation and maintenance expenses of the System, providing adequate depreciation and reserve funds as herein provided, paying the principal of and interest on all revenue bonds and obligations of the Municipality which by their terms are payable solely from the revenues derived from the System, and providing for the establishment of and expenditure from the respective accounts as hereinafter described.

Section 12. Flow of Funds. There shall be and there are hereby ordered, created and established separate accounts, and continued if already created and existing under the Prior Bond Ordinance, to be known as the "Operation and Maintenance

Account," the "Bond and Interest Sinking Fund Account," the "Reserve and Redemption Account," the "Depreciation Account" and the "Surplus Account," to which there shall be credited on or before the first day of each month by the Treasurer or other appropriate financial officer of the Municipality, without any further official action or direction, in the order in which such accounts are hereinafter mentioned, all moneys held in the System's Fund, in accordance with the following provisions:

(a) Operation and Maintenance Account: There shall be deposited and credited to the Operation and Maintenance Account an amount sufficient, when added to the amount then on deposit in such Account, to establish a balance equal to an amount not less than the amount necessary to pay Operation and Maintenance Expenses for the then current and the next succeeding month. There shall be deposited therein all revenues and income of the System as received, including any other Available Funds, and all disbursements for the Operation and Maintenance Expenses of the System and all allocations and deposits to the following Accounts shall be made from this Operation and Maintenance Account.

(b) Bond and Interest Sinking Fund Account: There next shall be deposited and credited to the Bond and Interest Sinking Fund Account and held, in cash and investments, a fractional amount (not less than $1/6$) of the interest becoming due on the next succeeding interest payment date on all Outstanding Bonds and commencing not later than April 1, 1998, also a fractional amount (not less than $1/12$) of the principal becoming due (or subject to mandatory redemption) on the next succeeding principal maturity date of all of the Outstanding Bonds until there shall have been accumulated and held in cash and investments in the Bond and Interest Sinking Fund Account on or before the month preceding such maturity date of interest or principal, or both, an amount sufficient to pay such principal or interest, or both.

In computing the fractional amount to be set aside each month in the Bond and Interest Sinking Fund Account, the fraction shall be so computed that a sufficient amount will be set aside in such Account and will be available for the prompt payment of such principal of and interest on all Outstanding Bonds and shall be not less than one-sixth ($1/6$) of the interest becoming due on the next succeeding interest payment date and not less than one-twelfth ($1/12$) of the principal becoming due (or subject to mandatory redemption) on the next succeeding principal payment date on all Outstanding Bonds until there is sufficient money in such Account to pay such principal or interest, or both.

Credits into the Bond and Interest Sinking Fund Account may be suspended in any Fiscal Year at such time as there shall be a sufficient sum held in cash and investments in such Account to meet principal and interest requirements in such

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 such Account shall be used only for the purpose of paying interest and principal and applicable premium on Outstanding Bonds.

At the time of the delivery of any of the Bonds, such amount, if any, determined necessary by the Corporate Authorities to be deposited into the Bond and Interest Sinking Fund Account shall be deposited in the Bond and Interest Sinking Fund Account from the proceeds of the Bonds, and upon the payment in full of the Prior Bonds such that the Prior Bonds are not outstanding under the Prior Bond Ordinance all funds therein shall be transferred to the Bond and Interest Sinking Fund Account under this ordinance.

(c) Bond Reserve and Redemption Account: In such manner and amount as does not result in the loss of the exclusion under Section 103 of the Code from gross income of the interest on the Bonds, upon sale and delivery of the Bonds, there shall be maintained in the Bond Reserve and Redemption Account by transferring all funds, in cash and investments, in the Bond Reserve and Redemption Account established and maintained pursuant to the Prior Ordinance (the "Prior Bond Reserve and Redemption Account"). There shall be deposited in and credited to the Bond Reserve Account and held in cash and investments 1/120 of the Maximum Annual Debt Service until an amount equal to such Maximum Annual Debt Service has been accumulated. Thereafter, no additional funds shall be credited to such Account, except that when any money is paid out and charged to such Account, credits into such Account shall be resumed at the foregoing monthly rate and continued until such Account has been restored to the required amount as in this paragraph (c) set forth.

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

(d) Depreciation Account: In such manner and amount as does not result in the loss of the exclusion under Section 103 of the Code from gross income of the interest on the Bonds, there shall be maintained in the Depreciation Account by transferring all funds, in cash and investments, from the Depreciation account established and maintained pursuant to the Prior Bond Ordinance (the "Prior Depreciation Account") upon the issuance, sale and delivery of the Bonds. Beginning the month immediately after delivery of any of the Bonds, there shall be deposited monthly in and credited to

the Depreciation Account and held in cash and investments 1/120 of the Maximum Annual Debt Service until an amount equal to such Maximum Annual Debt Service has been accumulated. Thereafter, no additional funds shall be credited to such Account, except that when any amount is paid out and charged to such Account, credits to such Account shall be resumed at the foregoing monthly rate and continued until such Account has been restored to the required amount as in this paragraph (d) set forth.

Amounts to the credit of such Depreciation Account shall be used 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 and (ii) the payment of principal of or interest and applicable premium 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 Bond and Interest Account for such purpose.

Whenever an amount is withdrawn from such Account for the purpose stated in clause (ii) of the preceding paragraph, the amount so transferred shall be added to the amount to be next and thereafter credited to such Depreciation Account until full reimbursement to such Account has been made. Each expenditure to be made from such Account for the purpose stated in clause (i) of the preceding paragraph shall be made only after a consulting engineer employed for that purpose has certified that such expenditure is necessary to the continued effective and efficient operation of the System.

(e) Surplus: 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 above Accounts described in subsections (a) to (d), inclusive, shall be credited to the Surplus Account and 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, if at all, for one or more of the following purposes (and not for any general corporate purposes) without any priority among them:

- (1) For the purpose of constructing or acquiring repairs, replacements, renewals, improvements or extensions to the System; or
- (2) For the purpose of calling and redeeming Outstanding Bonds which are callable at the time; or

(3) For the purpose of purchasing Outstanding Bonds at the time at a price of not to exceed par and accrued interest to the date of purchase and the then applicable redemption premium thereon; or

(4) For the purpose of paying principal of and interest and applicable premium on any subordinate bonds or obligations issued for the purpose of acquiring or constructing repairs, replacements, renewals, improvements and extensions to the System; or

(5) For any other lawful System purpose.

(f) Investments: Money to the credit of the System Fund prior to the monthly accounting and to the credit of the Operation and Maintenance Account may be invested pursuant to any authorization granted to municipal corporations by Illinois statute or court decision. Money to the credit of the Operation and Maintenance Account, Bond and Interest Sinking Fund Account, Bond Reserve and Redemption Account, Depreciation Account and Surplus Account may be invested from time to time by the Treasurer of the Municipality in (i) interest bearing bonds, notes, or other direct full faith and credit obligations of the United States of America, (ii) obligations unconditionally guaranteed as to both principal and interest by the United States of America, or (iii) certificates of deposit or time deposits of any bank or savings and loan association, as defined by the Illinois Banking Act, provided such bank or savings and loan association is insured by FDIC or a successor corporation to the FDIC, and provided further that the principal of such deposits is secured by a pledge of obligations as described in clauses (f) (i) and (f) (ii) above in the full principal amount of such deposits, and otherwise collateralized in such amount and in such manner as may be required by law. Such investments may be sold from time to time by the Treasurer of the Municipality as funds may be needed for the purpose for which such Accounts have been created. With the consent of the registered owners of 100% of the outstanding Bonds, the foregoing investments may be expanded to include any other lawful investment.

All interest on any funds so invested shall be credited to the applicable Account of the System Fund for which the investment was made and is hereby deemed and allocated as expended with the next expenditure or expenditures of money from such applicable Account of the System Fund; provided, however, the Municipality shall credit such interest in such manner as to not cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable regulations.

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

(g) Transfer: Any amounts to the credit of any of the Accounts described above in excess of the then current requirement therefor may be transferred by the Corporate Authorities to such other Account or Accounts of the Waterworks Fund as in their sole discretion is designated.

(h) Prior Bond Accounts: Prior Bond Accounts shall be continued and renamed, as applicable, to comply with this ordinance.

Section 13. General Covenants. The Municipality covenants and agrees with the holders of the Outstanding Bonds, so long as there are any Outstanding Bonds (as defined herein), as follows:

(a) The Municipality will maintain the System in good repair and working order, will operate the same efficiently and faithfully, will promptly construct and acquire any extensions, improvements, replacements or repairs thereto, and will punctually perform all duties with respect thereto required by the Constitution and laws of the State of Illinois.

(b) The Municipality 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 revenues of the System in the manner provided by this ordinance, sufficient at all times to pay Operation and Maintenance Expenses, to provide adequate depreciation and reserve funds, to pay the principal of and interest on all revenue bonds of the Municipality which by their terms are payable solely from the revenues of the System, and to provide for the creation and maintenance of the respective accounts as provided in Section 12 of this ordinance.

There shall be charged against all users of the System, including the Municipality, such rates and amounts for waterworks and water supply services as shall be adequate to meet the requirements of this subsection. Charges for services rendered the Municipality shall be made against the Municipality, 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.

Whenever money in the Bond Reserve and Redemption Account or the Depreciation Account is used to pay principal of or interest on Outstanding Bonds, other than the Prior Bonds, the Municipality 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 Municipality has taken responsive to such study.

(c) The Municipality from time to time will make all needful and proper repairs, replacements, additions, and betterments to the System so that the System 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 Municipality 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 Municipality will make and keep proper books and accounts (separate and apart from all other records and accounts of said Municipality), in which complete entries shall be made of all transactions relating to the System, and hereby covenants that within ninety (90) 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. Such 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.

(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.

(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) The number of waterworks customers served by the System at the end of the year, the quantity of water supplied by the System and a summary of rates in

effect from time to time for services of the System.

(v) The amount and details of all Outstanding Bonds.

(vi) The accountant's comments regarding the manner in which the Municipality has carried out the accounting 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 an Operation and Maintenance Expense. 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 Municipality 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 Bond and Interest Account, the Bond Reserve Account and the Depreciation Account shall be in cash, and such funds shall be held separate and apart in cash and investments. 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 at the lower of the cost or market price on the valuation date thereof, which valuation date shall be not less frequently than annually.

(g) The Municipality will not sell, lease, loan, mortgage or in any manner dispose of or encumber the System (subject to the right of the Municipality to issue the Bonds and 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 Municipality 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 and interest thereon.

(h) The Registered Owner of any Bond 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.

(i) The Municipality will carry insurance on the System of the kinds and in the amounts which are usually carried by

private parties operating similar properties, covering such risks as shall be recommended by a competent consulting engineer or insurance consultant employed by the Municipality for the purpose of making such recommendations. All moneys received for loss under such insurance policies shall be deposited in the Depreciation 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 in connection with the System shall be considered an Operation and Maintenance Expense.

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.

(j) The Municipality covenants not to provide any free service of the System, and, to the extent permitted by law, the Municipality will not grant a franchise for the operation of any competing waterworks and/or water supply system within the Municipality.

(k) The Municipality will adopt a budget and approve appropriations for the Waterworks Fund prior to the beginning of each Fiscal Year, subject to all applicable state laws, 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 Municipality appropriated for the purpose. If during the Fiscal Year there are extraordinary receipts or payments of unusual cost, the Municipality will adopt an amended budget for the remainder of the Fiscal Year, providing for receipts or payments pursuant to this ordinance.

Section 14. Issuance of Parity Bonds. As long as there are any Outstanding Bonds, no obligations or bonds of any kind shall be issued which are payable from the revenues of the System except upon compliance as follows:

(a) Parity Bonds may be issued for the purpose of paying the cost of repairs, replacements, renewals, improvements and extensions to the System or for refunding Outstanding Bonds upon compliance with the following conditions:

(i) The amounts required to be credited monthly to the respective accounts described in subsections (a) to (d), inclusive, of Section 12 of this ordinance must

have been deposited and credited in full up to the date of the delivery of such Parity Bonds.

(ii) The Net Revenues of the System for the last completed Fiscal Year prior to the issuance of the Parity Bonds (as shown by the audit of an independent certified public accountant), or the adjusted Net Revenues of the System for such year (as defined herein) must equal at least 120% of Maximum Annual Debt Service computed immediately after the issuance of the proposed Parity Bonds, but only for those Fiscal Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding Bonds as provided herein.

(iii) Net Revenues of the System may be adjusted as follows:

(A) In the event there shall have been an increase in the rates of the System from the rates in effect for the preceding Fiscal Year, which increase is in effect at the time of the issuance of any such Parity Bonds, the Net Revenues as described hereinabove may be adjusted to reflect the Net Revenues of the System for the immediately preceding Fiscal Year as they would have been had such then existing rates been in effect during all of such Fiscal Year.

(B) Any such adjustment shall be evidenced by the certificate of an independent consulting engineer or an independent certified public accountant employed for that purpose, which certificate shall be filed with and approved by the Corporate Authorities prior to the sale of the proposed Parity Bonds.

(b) Bonds or other obligations may be issued payable from the revenues of the System subordinate to the Outstanding Bonds. Such subordinate bonds shall be payable from the surplus funds described in subsection (e) of Section 12 of this ordinance.

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

Contracts or agreements, including long term and take or pay contracts or agreements, for waterworks services or the supply of water, which by the terms thereof require payment by the Municipality as an Operation and Maintenance Expense or from the Operation and Maintenance Account are expressly excluded from the provisions of this ordinance pertaining to Parity Bonds. Such contracts or agreements may be made by the Municipality notwithstanding any of the provisions herein, but only in such manner, if at all, such that the interest on the Bonds and

Outstanding Bonds shall not lose the exclusion from gross income under Section 103 of the Code by reason thereof.

Section 15. Sale of Bonds and Redemption of Prior Bonds. The Bonds herein authorized shall be executed and delivered to the Treasurer or other appropriate officer or agent of the Municipality and be by such officer delivered to the purchaser or purchasers thereof, Busey Bank, Urbana (acting through its LeRoy branch), Illinois (the "Purchaser"), upon receipt of the purchase price therefor, plus accrued interest, if any, and payment pursuant to the Bond purchase agreement therefor (the "Bond Purchase Agreement"), by and between the Municipality and the Purchaser, which is hereby in all respects authorized, approved and confirmed.

The Bond Purchase Agreement, in substantially the form thereof which have been presented before this meeting, is hereby ratified, confirmed and approved. The Mayor is hereby authorized and directed to execute the Bond Purchase Agreement for and on behalf of the Municipality, and the Municipal Clerk is hereby authorized to attest the same and to affix thereto the corporate seal of the Municipality, including with such changes therein as the officers of the Municipality executing them shall approve, their approval thereof being conclusive of the Municipality's approval of any such changes therein from the forms thereof now before this meeting. Immediately upon the issuance of the Bonds the Issuer hereby directs the call for redemption and hereby calls for redemption of all of the Prior Bonds outstanding and unpaid under the Prior Bond Ordinance, at a price of not more than par plus accrued interest. Notice of such redemption shall be given at the time, in the manner and with the effect that such redemption does not constitute an "advance refunding" under Section 148 of the Code, such notice to be in such form as is consistent with the foregoing and approved by an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to tax-exempt bonds ("Bond Counsel"), unless such notice in the opinion of such Bond Counsel is duly and effectively waived. The registered owners and holders of such outstanding Prior Bonds are hereby directed to timely present such Prior Bonds for payment pursuant to such notice or waiver, as the case may be.

Section 16. Use of Proceeds, Redemption Fund. The proceeds derived from the sale of the Bonds shall be used as follows:

(a) Accrued interest, if any, received upon the sale and delivery of the Bonds shall be credited to the Bond and Interest Account.

(b) Any bonds or other obligations which are outstanding at the time any Bonds are issued, and, other than Parity Bonds described in Section 14(b) above which are on a parity with or superior to the Bonds, if any, either shall be

defeased as provided in Section 15 above or shall be called, redeemed and retired according to the terms thereof, all in such manner and at such times that the interest earned on the Bonds does not lose its exclusion from gross income under Section 103 of the Code; and, as applicable, notice of such redemption shall be timely given or caused to be given or such defeasance timely effected.

(c) Principal proceeds received upon the sale and delivery of the Bonds (except for any portion thereof determined necessary by the Corporate Authorities to be deposited into the Bond and Interest Sinking Fund Account in accordance with Section 12(b) of this ordinance) shall be set aside in a separate fund hereby created and designated as the "**Redemption Fund**," which shall be deposited in a depository financial institution to be separately designated if other than the Paying Agent (and including LeRoy State Bank, LeRoy, Illinois, the "**Depository**") which is hereby designated by the Corporate Authorities as the depository in connection with the Redemption Fund. Other than application of Bond Proceeds at the time of the issuance of the Bonds to prepay, redeem and retire the Prior Bonds as hereby contemplated, moneys in the Redemption Fund shall be withdrawn from time to time as needed for the prepayment, retirement and redemption of the Prior Bonds and paying the fees and expenses incidental thereto. Other than application of Bond Proceeds at the time of the issuance of the Bonds to prepay, redeem and retire the Prior Bonds as hereby contemplated, moneys shall be withdrawn from the Depository from time to time by the Treasurer of the Municipality upon submission by such Treasurer to such depository of a copy of the order signed by the Mayor and the Municipal Clerk, or such other officer(s) as may from time to time be by law authorized to sign and countersign orders of the Treasurer of the Municipality, stating specifically the purpose for which the order is issued and indicating that the payment for which the order is issued has been approved by the Corporate Authorities.

Funds on deposit in the Redemption Fund may be invested by the Depository thereof at the direction of the Treasurer in direct full faith and credit obligations of the United States of America or time deposits or certificates of deposit of any bank secured by the pledge in the full principal amount thereof of direct full faith and credit obligations of the United States of America; provided, such investments shall be scheduled to come due before needed to prepay, retire and redeem the Prior Bonds. Interest earned on such investments shall be retained in the Redemption Fund and upon defeasance of the Prior Bonds transferred to the Bond and Interest Sinking Fund Account.

Section 17. Provisions a Contract. The provisions of this ordinance shall constitute a contract between the Municipality and the registered owners 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. The registered owner of any bond may in any civil action, mandamus, injunction or other proceeding, enforce and compel performance of all duties required by this ordinance and the Act, including the maintaining and collecting of sufficient rates for that purpose and the application of income and revenue thereof.

Section 18. Non-Arbitrage. The principal proceeds of the sale or the Bonds shall be devoted to and used with due diligence to prepay, retire and redeem the Prior Bonds. The Corporate Authorities represent and certify as follows:

(a) The Municipality has heretofore incurred, or within 6 months after delivery of the Bonds expects to call the Prior Bonds for prepayment, retirement and redemption.

(b) All the money derived from the sale of the Bonds and deposited in the Redemption Fund, and all of the investment earnings thereon will be expended on or before the 90th day following the issuance and delivery of the Bonds to call the Prior Bonds for prepayment, retirement and redemption.

(c) All of the principal proceeds and investment earnings thereon of the Bonds will be used, needed and expended for such purpose, including expenses incidental thereto, or paying the interest due on the Bonds; not less than 100% of the net proceeds of the Bonds are to be used for local governmental activities (that is, such prepayment, retirement and redemption) of the Municipality; and none of the Bonds constitutes a private activity bond. Pursuant to and in accordance with Section 1314 of the Tax Reform Act of 1986, unless the yield on any investment of Bond proceeds to the extent thereof is restricted to the yield on the Bonds, no proceeds of the Bonds or any investment earnings thereon will be used more than 30 days after the date of issue of the Bonds for the purpose of paying any principal or interest on any issue of bonds, notes, certificates or warrants or on any installment contract or other obligation of the Municipality, including the Prior Bonds or for the purpose of replacing any funds of the Municipality used for such purpose, and in any event such refunding shall occur, if at all, within 90 days of the issuance of the Bonds.

(d) Design of and planning for the Project has commenced, and work on the Project has been completed.

(e) No part of the System or the Project has been or is expected to be sold or otherwise disposed of in whole or in material part prior to the last maturity of the Bonds. "Material part" means (i) land, or (ii) any building, or (iii) personal property or fixtures in excess of that which

is expected to be sold, traded in or discarded upon wearing out or becoming obsolete.

(f) Except for the Bond and Interest Sinking Fund Account and for the Bond Reserve and Redemption Account established hereunder, the Municipality has not created or established and does not expect to create or establish any sinking fund or other similar fund for the Bonds.

(g) Amounts deposited in the Bond and Interest Sinking Fund Account will be expended within a 12-month period beginning on the date of deposit; such Account will be depleted to an amount not greater than 1/12 annual principal and interest requirements payable therefrom at least once yearly; and any amounts received from investment of money in the Bond and Interest Account will be expended within a one year period beginning on the date of receipt.

(h) The Bond Reserve and Redemption Account has been and is to be established and accumulated from funds other than Bond or Prior Bond proceeds. The total amount of the Bond Reserve and Redemption Account to be accumulated is an amount not to exceed the Maximum Annual Debt Service and otherwise in compliance with Section 12(c) of this ordinance.

(i) Credits may be made from the revenues of the System deposited into the Depreciation Account. Moneys in such Account are to be used to pay the cost of repairs or replacements to the System as may be necessary from time to time for the continued efficient operation of the System. Although amounts in such Account may be required to be used to pay principal and interest on the Bonds to prevent or remedy a default, such amounts are not expected to be used to pay principal and interest on the Bonds to prevent or remedy a default, and there is no assurance (due to the necessity of making reasonable repairs or replacements to the System, from time to time, as discussed above) that such amounts will be available to pay principal and interest on the Bonds even if all other sources of payment are exhausted.

(j) The aggregate face amount of all tax-exempt bonds, other than private activity bonds, to be issued by the Municipality during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000, within the meaning of Sections 148(f) (4) (D) and 265(b)(3) of the Code.

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

(i) Amounts expected to be received are estimated.

(ii) Amounts paid or to be paid into various funds and accounts have been directed to be paid into such funds and accounts by authority of this ordinance.

(iii) The anticipated dates of the obligation and expenditure of money derived from the sale of Bonds and to be deposited into the various funds and accounts for the Project and the amounts to be spent on or before such dates are based upon consultation with finance professionals for the refunding of the Prior Bonds.

(iv) The amount of tax-exempt bonds reasonably expected to be issued is based upon historical experience and the anticipated revenue needs of the Municipality, which has a population under the 1980 Federal Census of approximately 2,870. The Prior Bonds constitute the Municipality's last debt issue.

(1) The Municipality 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 not certify bond issues under applicable Treasury Regulations. This Section 18 incorporates by reference the representations and certifications made and contained in Section 22 of this ordinance.

(m) To the best of the knowledge and belief of the Corporate Authorities, there are no facts, estimates or circumstances that would materially change the conclusions and representations set out in this section, and the expectations hereinabove set out are reasonable.

The Corporate Authorities also certify and further covenant with the purchasers and holders of the Bonds from time to time outstanding that so long as any of the Bonds remain outstanding, moneys on deposit in any fund or account in connection with the Bonds or the Prior Bonds, whether or not such moneys were derived from the proceeds of sale of the Bonds or the Prior Bonds or from any other source, will not be used in a manner which will cause the Bonds or the Prior Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and any related lawful regulations, as the same presently exist, or may from time to time hereafter be amended, supplemented, replaced or revised. The Corporate Authorities reserve the right, however, to make any investment of moneys on deposit in any fund or account in connection with the Bonds permitted or authorized by Illinois law and this ordinance, if, when and to the extent that such Section 148 or the related regulations shall be repealed or relaxed or shall be held void by final decision of a court of competent jurisdiction, but only if any investment made by virtue of such repeal, relaxation or decision would not,

in the opinion of an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to tax-exempt bonds, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes under Section 103 of the Code.

The officers of the Municipality are hereby authorized and directed to make such further covenants, estimates, representations, or assurances as may be necessary or advisable to the end that the Bonds not be "arbitrage bonds" as aforesaid.

Section 19. Registered Form. The Municipality recognizes that Section 149(a) of the Code requires the Bonds to be issued and to remain in fully registered form in order that interest thereon is exempt from federal income taxation under laws in force at the time the Bonds are delivered. In this connection, the Municipality agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form.

Section 20. List of Bondholders. 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 transfer or Bondholder.

Section 21. Duties of Bond Registrar and Paying Agent. If requested by the Bond Registrar and/or Paying Agent, the Mayor and Clerk of the Municipality are authorized to execute the Bond Registrar's and/or Paying Agent's standard form of agreement between the Municipality and the Bond Registrar and/or Paying Agent with respect to the obligations and duties of the Bond Registrar and/or Paying Agent hereunder which may include, as appropriate, the following:

- (a) to act as bond registrar, authenticating agent, paying agent and transfer agent as provided herein;
- (b) to maintain a list of Bondholders as set forth herein and to furnish such list to the Municipality upon request, but otherwise to keep such list confidential;
- (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 Municipality at least annually a certificate with respect to Bonds cancelled and/or destroyed; and

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

Section 22. Small Issuer Provisions and Designation.

In connection with Sections 148(f)(4) (D) and 265(b)(3) of the Internal Revenue Code of 1986, as amended, the Municipality hereby represents, covenants and agrees with all Bondholders that the maximum amount of tax exempt obligations that it has any expectation of issuing in the calendar year 1998 will not exceed \$5,000,000 under Section 149(f)(4)(D) and \$10,000,000 under Section 265(b)(3), that the obligations constituting the issue of Bonds be and is hereby designated as "qualified tax-exempt obligations" under such paragraph (3) of such Section 265(b), and that the Municipality will not designate as such more than \$5,000,000 (of the \$10,000,000 limit) of obligations during the calendar year 1998 for purposes of such paragraph (3) (B) of such Section 265(b).

Section 23. 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 24. 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.

Section 25. Publication and Notice. Within ten (10) days after the adoption of this ordinance by the Corporate Authorities, this ordinance shall be published in pamphlet form, and ten (10) days after the date of such publication of this ordinance this ordinance shall be in full force and effect.

[The remainder of this page is intentionally left blank.]

Upon motion by Dave McClelland, seconded by
Ron Litherland, adopted and recorded in the
Municipality's records this 16th day of February, 1998 by
roll call vote, as follows:


AYES (names): Ryan Miles, Ron Litherland, Dave McClelland, W.H. Weber,
Dawn Thompson, Dick Oliver.

NAYS (names): None

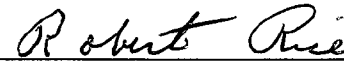
ABSENT (names): None

Approved: February 16, 1998

Attest:



Clerk, City of LeRoy,
McLean County, Illinois



Mayor, City of LeRoy,
McLean County, Illinois

STATE OF ILLINOIS)
) SS
COUNTY OF McLEAN)

CERTIFICATION OF ORDINANCE AND MINUTES

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the City of LeRoy, McLean County, Illinois (the "City"), and as such official I am the keeper of the records and files of the City and of the City Council (together with the Mayor, the "Corporate Authorities").

I do further certify that the foregoing constitutes a full, true and complete excerpt from the proceedings of the meeting of the Corporate Authorities held on the 16th day of February, 1998, insofar as same relates to the adoption of Ordinance No. 787 entitled:

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF UP TO \$300,000 WATERWORKS REFUNDING REVENUE BONDS, SERIES 1998, OF THE CITY OF LeROY, McLEAN COUNTY, ILLINOIS, FOR THE PURPOSE OF REFUNDING CERTAIN PRIOR BONDS, PRESCRIBING THE DETAILS OF SUCH REFUNDING BONDS AND PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF THE WATERWORKS SYSTEM OF THE CITY OF LeROY, ILLINOIS,

a true, correct and complete copy of which ordinance (the "Bond Ordinance") as adopted at such meeting appears in the transcript of the minutes of such meeting and is hereto attached. The Bond Ordinance was adopted and approved by the vote and on the date therein set forth.

I do further certify that the deliberations of the Corporate Authorities on the adoption of such ordinance were taken openly, that the vote on the adoption of such ordinance was taken openly, that such meeting was held at a specified time and place convenient to the public, that notice of such meeting was duly given to all of the news media requesting such notice, that such meeting was called and held in strict compliance with the provisions of the open meeting laws of the State of Illinois, as amended, and the Illinois Municipal Code, as amended, and that the Corporate Authorities have complied with all of the applicable provisions of such open meeting laws and such Code and their procedural rules in the adoption of such ordinance.

IN WITNESS WHEREOF, I hereunto affix my official signature and the seal of the City of LeRoy, Illinois, this 16th day of February, 1998.



City Clerk

(SEAL)