

ORDINANCE NUMBER 2007-28

AN ORDINANCE authorizing and providing for the issue of \$3,000,000 General Obligation Bonds (Alternate Revenue Source), Series 2007, of the Village of Vernon Hills, Lake County, Illinois, prescribing the details of said bonds and providing the imposition of taxes to pay the same, and for the collection, segregation and application of sales tax receipts to pay said Bonds.

Adopted by the President and Board of Trustees on
the 10th day of April, 2007.

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This Table of Contents is for convenience only
and is not a part of the ordinance.

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PREAMBLES

WHEREAS the Village of Vernon Hills, Lake County, Illinois (the "*Village*"), is a duly organized and existing municipality and unit of local government of the State of Illinois, and is operating under and pursuant to the provisions of the Illinois Municipal Code, and all laws amendatory thereof and supplementary thereto (the "*Municipal Code*"); and

WHEREAS the President and Board of Trustees of the Village (the "*Board*") has determined that it is advisable, necessary and in the best interests of the Village, in order to promote and protect the public health, welfare, safety and convenience of the residents of the Village, to pay the costs of (i) rehabilitating and furnishing a newly-acquired building in order to expand the Village's police station (the "*Police Station Project*") and (ii) infrastructure improvements within the Northwest and Southwest Corners of Routes 45 and 21 Town Center Redevelopment Area of the Village (the "*Town Center TIF Project*"); and

WHEREAS the Board has determined and does hereby determine that the Police Station Project and the Town Center TIF Project are lawful corporate purposes; and

WHEREAS the estimated cost of the Police Station Project, including engineering, legal, financial, bond discount, printing and publication costs, and other expenses, is \$1,700,000; and

WHEREAS the estimated cost of the Town Center TIF Project, including engineering, legal, financial, bond discount, printing and publication costs, and other expenses, is \$1,300,000; and

WHEREAS there are insufficient funds on hand and lawfully available to pay costs of the Police Station Project and the Town Center TIF Project (collectively, the "*Project*"), and there exists a source of funds, other than enterprise revenues, namely, all collections distributed to the Village from those taxes imposed by the State of Illinois pursuant to the Use Tax Law, the Service Use Tax Act, the Service Occupation Tax Act and the Retailer's Occupation Tax Act, each as supplemented and amended from time to time, or substitute taxes therefor as provided by the State of Illinois in the future, and as provided in the Local Government Debt Reform Act, as amended (the "*Reform Act*"), the

Village is authorized to issue its General Obligation Bonds (Alternate Revenue Source) payable from such revenue source; and

WHEREAS the costs of the Police Station Project is expected to be defrayed by up to \$1,700,000 of the proceeds of alternate bonds issued pursuant to the Reform Act; and

WHEREAS the costs of the Town Center TIF Project is expected to be defrayed by up to \$1,300,000 of the proceeds of alternate bonds issued pursuant to the Reform Act; and

WHEREAS it is necessary and for the best interests of the Village that the Project be undertaken, and in order to raise the funds required for such purpose, it will be necessary for the Village to borrow an amount not to exceed \$3,000,000 and in evidence thereof to issue alternate bonds, being General Obligation Bonds (Alternate Revenue Source) payable from any revenue source as provided by the Reform Act, in an aggregate principal amount not to exceed \$3,000,000, all in accordance with the Reform Act; and

WHEREAS the Board, on the 22nd day of February, 2007, adopted Ordinance Number 2007-21 (the "*Authorizing Ordinance*"), authorizing the issuance of certain Alternate Bonds, being General Obligation Bonds (Alternate Revenue Source) payable from revenue sources as provided by the Reform Act (the "*2007 Alternate Bonds*"), in an amount not to exceed \$3,000,000 for the Project; and

WHEREAS on the 27th day of February, 2007, the Authorizing Ordinance, which included therein a notice in the statutory form, was published in the *Daily Herald*, and an affidavit evidencing the publication of the Authorizing Ordinance and said notice has heretofore been presented to the Board and made a part of the permanent records of the Village; and

WHEREAS no petition has ever been filed with the Village Clerk, requesting that the question of the issuance of the 2007 Alternate Bonds for either the Police Station Project or the Town Center TIF Project be submitted to referendum; and

WHEREAS the Project constitutes lawful corporate purposes within the meaning of the Reform Act; and

WHEREAS the Board has been authorized to issue the 2007 Alternate Bonds to pay the cost of the Project to the amount of \$3,000,000 in accordance with the provisions of the Reform Act and the Authorizing Ordinance; \$-0- of such bonds have heretofore been issued by the Village; and the Board hereby determines that it is necessary and advisable that there be issued at this time \$3,000,000 of the authorized amount; and

WHEREAS the 2007 Alternate Bonds to be issued will be payable from the Pledged Revenues and the Pledged Taxes, both as hereinafter defined; and

WHEREAS the Board hereby determines that the Pledged Revenues will provide in each year to final maturity of the proposed 2007 Alternate Bonds an amount not less than 1.25 times debt service of the proposed 2007 Alternate Bonds and the currently outstanding General Obligation Bonds (Alternate Revenue Source), Series 2000, General Obligation Bonds (Alternate Revenue Source), Series 2001, General Obligation Bonds (Alternate Revenue Source), Series 2002, General Obligation Refunding Bonds (Alternate Revenue Source), Series 2004, General Obligation Refunding Bonds (Alternate Revenue Source), Series 2005, and the General Obligation Bonds (Alternate Revenue Source), Series 2006 (collectively, the "*Prior Alternate Bonds*"), said seven series of bonds being the only series of alternate bonds payable from the Pledged Revenues; and

WHEREAS such determination of the sufficiency of the Pledged Revenues is supported by reference to the most recent audit of the Village, which is for a fiscal year ending not earlier than 18 months prior to the issuance of the 2007 Alternate Bonds (the "*Audit*"), which Audit has been presented to and accepted by the Board and is now on file with the Village Clerk; and

WHEREAS pursuant to and in accordance with the provisions of the Bond Issue Notification Act of the State of Illinois, as amended, the President of the Board, on the 2nd day of March, 2007, executed an Order calling a public hearing (the "*Hearing*") for the 20th day of March, 2007, concerning the intent of the Board to sell not to exceed \$3,000,000 General Obligation Bonds (Alternate Revenue Source) for the Police Station Project and the Town Center TIF Project; and

WHEREAS notice of the Hearing was given (i) by publication at least once not less than seven (7) nor more than thirty (30) days before the date of the Hearing in the *Daily Herald*, the same being a newspaper of general circulation in the Village, and (ii) by posting at least 48 hours before the Hearing a copy of said notice at the principal office of the Board; and

WHEREAS the Hearing was held on the 20th day of March, 2007, and at the Hearing, the Board explained the reasons for the proposed bond issue and permitted persons desiring to be heard an opportunity to present written or oral testimony within reasonable time limits; and

WHEREAS the Hearing was finally adjourned on the 20th day of March, 2007, and not less than seven (7) days have passed since the final adjournment of the Hearing; and

WHEREAS the Property Tax Extension Limitation Law of the State of Illinois, as amended (the "*Tax Limitation Law*"), imposes certain limitations on the "aggregate extension" of certain property taxes levied by the Village, but provides that the definition of "aggregate extension" contained in Section 18-185 of the Tax Limitation Law does not include "extensions ... payments of principal and interest on bonds issued under Section 15 of the Local Government Debt Reform Act;" and

WHEREAS the County Clerk of Lake County, Illinois (the “*County Clerk*”), is therefore authorized to extend and collect said direct annual *ad valorem* tax so levied for the payment of the 2007 Alternate Bonds for the Project without limitation as to rate or amount:

NOW THEREFORE Be It Ordained by the President and Board of Trustees of the Village of Vernon Hills, Lake County, Illinois, as follows:

Section 1. Definitions. The words and terms used in this Ordinance shall have the meanings set forth and defined for them herein unless the context or use clearly indicates another or different meaning is intended, including the words and terms as follows:

“*Additional Bonds*” means any alternate bonds issued in the future in accordance with the provisions of the Reform Act on a parity with and sharing ratably and equally in the Pledged Revenues with the 2007 Alternate Bonds and the Prior Alternate Bonds.

“*Alternate Bonds*” means the Bonds, the Prior Alternate Bonds and any Additional Bonds.

“*Board*” means the President and Board of Trustees of the Village.

“*Bond*” or “*Bonds*” means one or more, as applicable, of the \$3,000,000 General Obligation Bonds (Alternate Revenue Source), Series 2007, authorized to be issued by this Ordinance.

“*Bond Fund*” means the Village of Vernon Hills 2007 Alternate Bond Fund maintained hereunder and further described in Section 11 of this Ordinance.

“*Bond Register*” means the books of the Village kept by the Bond Registrar to evidence the registration and transfer of the Bonds, or a successor designated as bond registrar hereunder.

“*Bond Registrar*” means The Bank of New York Trust Company, N.A., Chicago, Illinois, or a successor designated as bond registrar hereunder.

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

“*County Clerk*” means the County Clerk of The County of Lake, Illinois.

“*Expense Fund*” means the fund established hereunder and further described by Section 13 of this Ordinance.

“*Fiscal Year*” means that twelve-calendar month period beginning on the first day of May of any calendar year and ending on the last day of April of the next succeeding calendar year.

“Municipal Code” means the Illinois Municipal Code, as supplemented and amended.

“Ordinance” means this ordinance as originally adopted and as the same may from time to time be amended or supplemented in accordance with terms hereof.

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

“Paying Agent” means The Bank of New York Trust Company, N.A., Chicago, Illinois, or a successor designated as paying agent hereunder.

“Pledged Moneys” means the Pledged Revenues and the Pledged Taxes, as all of such terms are defined herein.

“Pledged Revenues” means all collections distributed to the Village from those taxes imposed by the State of Illinois pursuant to the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act and the Retailer’s Occupation Tax Act, each as supplemented and amended from time to time, or substitute taxes therefor as provided by the State of Illinois in the future.

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

“Project” means, together, the Police Station Project and the Town Center TIF Project, as described and defined in the preambles to this Ordinance.

“Project Fund” means the fund established hereunder and further described by Section 13 of this Ordinance.

“Reform Act” means the Local Government Debt Reform Act of the State of Illinois, as amended.

“Tax-exempt” means, with respect to the Bonds, the status of interest paid and received thereon as not includible in the gross income of the owners thereof under the Code for federal income tax purposes 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.

“*Village*” means the Village of Vernon Hills, Lake County, Illinois.

Section 2. Incorporation of Preambles. The Board hereby finds that the recitals contained in the preambles to this Ordinance are true and correct and does hereby incorporate them into this Ordinance by this reference.

Section 3. Determination to Issue Bonds. It is necessary and in the best interests of the Village for the Village to acquire the Project for the public health, safety and welfare, in accordance with the purchase contract therefor as described, and to issue the Bonds to enable the Village to pay the costs thereof.

Section 4. Bond Details. For the purpose of providing for the payment of costs of the Project, there shall be issued and sold the Bonds in the aggregate principal amount of \$3,000,000. The Bonds shall each be designated “General Obligation Bond (Alternate Revenue Source), Series 2007”; and shall be dated April 15, 2007, and shall also bear the date of authentication thereof. The Bonds shall be in fully registered form, shall be in denominations of \$5,000 or authorized integral multiples thereof (but no single Bond shall represent principal maturing on more than one date), shall be numbered in such reasonable fashion as may be selected by the Bond Registrar, and shall become due and payable (subject to the right of redemption hereinafter stated) on March 30 of the years, in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT (\$)	RATE (%)
2008	95,000	4.000
2009	100,000	4.000
2010	105,000	4.000
2011	110,000	4.000
2012	115,000	4.000
2013	120,000	4.000
2014	125,000	4.000
2015	130,000	4.000
2016	135,000	4.000
2017	140,000	4.000
2018	150,000	4.000
2021	490,000	4.000
2024	555,000	4.050
2027	630,000	4.125

Each Bond shall bear interest from the later of its Dated Date or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of such Bond is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on September 30,

2007, and semiannually thereafter on March 30 and September 30 of each year. Interest on each Bond shall be paid by check or draft of the Paying Agent, payable upon presentation in lawful money of the United States of America, to the person in whose name such Bond is registered at the close of business on the applicable record date. The applicable record date is the 15th day of the month of any regular interest payment date and the 15th day preceding any other interest payment date which may be occasioned by a redemption of Bonds. The principal of the Bonds shall be payable upon presentation in lawful money of the United States of America at the principal corporate trust office of the Paying Agent.

Section 5. Redemption. (a) Optional Redemption. The Bonds due on and after March 30, 2016, are subject to redemption prior to maturity at the option of the Village from any available funds, as a whole or in part, and if in part in integral multiples of \$5,000 in any order of their maturity as determined by the Village (less than all of the Bonds of a single series and maturity to be selected by the Bond Registrar), on March 30, 2015, and on any date thereafter, at the redemption price of par plus accrued interest to the redemption.

(b) *Mandatory Redemption.* The Bonds due on March 30, 2021, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on March 30 of the years and in the principal amounts as follows:

YEAR	PRINCIPAL AMOUNT
2019	\$155,000
2020	165,000

The Bonds due on March 30, 2024, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on March 30 of the years and in the principal amounts as follows:

YEAR	PRINCIPAL AMOUNT
2022	\$175,000
2023	185,000

The Bonds due on March 30, 2027, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date on March 30 of the years and in the principal amounts as follows:

YEAR	PRINCIPAL AMOUNT
2025	\$200,000
2026	210,000

The principal amounts of Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the Village may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Bond Registrar may, and if directed by the Board shall, purchase Bonds required to be retired on such mandatory redemption date. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date.

The Bonds shall be redeemed only in the principal amount of \$5,000 and integral multiples thereof. The Village shall, at least forty-five (45) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar) notify the Bond Registrar of such redemption date and of the principal amount and maturity or maturities 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 by lot by the Bond Registrar from the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided* that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall make such selection upon the earlier of the irrevocable deposit of funds with an escrow agent sufficient to pay the redemption price of the Bonds to be redeemed or the time of the giving of official notice of redemption.

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

(c) *Redemption Procedure.* The Village shall, at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount and maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot not more than 60 days prior to the redemption date by the Bond Registrar for the Bonds of such series and maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided*, that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion.

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

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

All official notices of redemption shall include the name of the Bonds and at least the information as follows:

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

Prior to any redemption date, the Village 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.

Official 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 Village shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner, shall affect the sufficiency of such notice with respect to other Bonds. Notice having been properly given, failure of a registered owner 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 the registered owner entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of

such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Paying Agent at the redemption price. The procedure for payment of interest due on or prior to the redemption date shall be as herein provided for payment of interest otherwise due. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of like tenor, of authorized denominations, of the same maturity and bearing the same rate of interest in the amount of the unpaid principal. 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 or duly provided for, 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.

Section 6. Execution; Authentication. The Bonds shall be executed on behalf of the Village with the manual or facsimile signature of the President and attested with the manual or facsimile signature of the Village Clerk, as they may determine, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Village. 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 the Bond Registrar as authenticating agent of the Village and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

Section 7. Registration of Bonds; Persons Treated as Owners; Global Book-Entry System. (a) *General.* The Village 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 corporate trust office of the Bond Registrar, which is hereby constituted and appointed the registrar of the Village. The Village is authorized to prepare, and the Bond Registrar shall keep custody of, multiple Bond blanks executed by the Village for use in the transfer and exchange of Bonds.

Upon surrender for transfer of any Bond at the principal corporate trust 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 or his attorney duly authorized in writing, the Village 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 said principal corporate trust 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 Village of any fully registered Bond shall constitute full and due authorization of such Bond and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, *provided, however*, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less previous retirements.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 15th day of the month of the interest payment date on such Bond and ending at the opening of business on such interest payment date nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen 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 legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the Village 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.

(b) *Global Book-Entry System.* The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds as provided in Section 4 hereof, and the ownership of each such Bond shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto ("*Cede*"), as nominee of The Depository Trust Company, New York, New York, and its successors and assigns ("*DTC*"). All of the outstanding Bonds shall be registered in the Bond Register in the name of Cede, as nominee of DTC, except as hereinafter provided. The President, the Treasurer and Village Clerk are hereby authorized to execute and deliver on behalf of the Village such letters to or agreements with DTC and the Bond Registrar

as shall be necessary to effectuate such book-entry system (any such letter or agreement being referred to herein as the "*Representation Letter*").

With respect to the Bonds registered in the Bond Register in the name of Cede, as nominee of DTC, the Village and the Bond Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a "*DTC Participant*") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Village and the Bond Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds. The Village and the Bond Registrar may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective registered owners of the Bonds, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Village's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of a Bond as shown in the Bond Register, shall receive a Bond certificate evidencing the obligation of the Village to make payments of principal and interest with respect to any Bond. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, the name "*Cede*" in this Ordinance shall refer to such new nominee of DTC.

In the event that (i) the Village determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (ii) the agreement among the Village, the Bond Registrar and DTC evidenced by the Representation Letter shall be terminated for any reason or (iii) the Village determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Village shall notify DTC and DTC Participants of the availability through DTC of Bond certificates and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede, as nominee of DTC. At the time, the Village may determine that the Bonds shall be registered in the name of and deposited with such other depository operating a global book-entry system, as may be acceptable to the Village, or such depository's agent or designee, and if the Village does not select such alternate global book-entry system, then the Bonds may be registered in whatever name

or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 7(a) hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

Section 8. Form of Bonds. The Bonds shall be in substantially the form hereinafter set forth; *provided, however,* that if the text of the Bonds is to be printed in its entirety on the front side of the Bonds, then the second paragraph on the front side and the legend “See Reverse Side for Additional Provisions” shall be omitted and the text of paragraphs set forth for the reverse side shall be inserted immediately after the first paragraph.

[Form of Bond - Front Side]

REGISTERED
NO. _____

REGISTERED
\$ _____

**UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTY OF LAKE
VILLAGE OF VERNON HILLS
GENERAL OBLIGATION BOND (ALTERNATE REVENUE SOURCE)
SERIES 2007**

See Reverse Side for
Additional Provisions

Interest Maturity Dated
Rate: _____% Date: March 30, 20__ Date: April 15, 2007 CUSIP: 924488 _____

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Village of Vernon Hills, Lake County, Illinois, a municipality and political subdivision of the State of Illinois (the "*Village*"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the Dated Date of this Bond identified above or from the most recent interest payment date to which interest has been paid or duly provided for, at the Interest Rate per annum identified above, such interest to be payable on September 30, 2007, and semiannually thereafter on March 30 and September 30 of each year until the Principal Amount is paid or duly provided for, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be and become applicable hereto. The Principal Amount of this Bond is payable in lawful money of the United States of America upon presentation and surrender hereof at the principal corporate trust office of The Bank of New York Trust Company, N.A., Chicago, Illinois, as bond registrar and paying agent (the "*Bond Registrar*"). Payment of the installments of interest shall be made to the Registered Owner hereof as shown on the registration books of the Village maintained by the Bond Registrar at the close of business on the 15th day of the month of each interest payment date and shall be paid by check or draft of the Bond Registrar, payable upon presentation 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, or as otherwise agreed by the Village and Cede & Co., as nominee, or successor, for so long as this Bond is held by The Depository Trust Company,

New York, New York, the depository, or nominee, in book-entry only form as provided for same.

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.

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; that the indebtedness of the Village, including the issue of Bonds of which this is one, does not exceed any limitation imposed by law; that provision has been made for the collection of the Pledged Revenues, the levy and collection of the Pledged Taxes, and the segregation of all Pledged Moneys to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity; and that the Village hereby covenants and agrees that it will properly account for said Pledged Moneys and will comply with all the covenants of and maintain the funds and accounts as provided by the Ordinance.

FOR THE PROMPT PAYMENT OF THIS BOND, BOTH PRINCIPAL AND INTEREST AT MATURITY AND UPON MANDATORY REDEMPTION, THE FULL FAITH, CREDIT AND RESOURCES OF THE VILLAGE ARE HEREBY IRREVOCABLY PLEDGED.

THE VILLAGE HAS DESIGNATED THIS BOND AS A "QUALIFIED TAX-EXEMPT OBLIGATION" PURSUANT TO SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

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

IN WITNESS WHEREOF the Village of Vernon Hills, Lake County, Illinois, by its President and Board of Trustees, has caused this Bond to be executed with the manual or duly authorized facsimile signature of its President and attested by the manual or duly authorized facsimile signature of its Village Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the Dated Date identified above.

President
Village of Vernon Hills
Lake County, Illinois

ATTEST:

Village Clerk
Village of Vernon Hills
Lake County, Illinois

[SEAL]

Date of Authentication: _____, _____

CERTIFICATE
OF
Company, N.A.
AUTHENTICATION

Bond Registrar and Paying Agent:
The Bank of New York Trust

Chicago, Illinois

This Bond is one of the Bonds described in the within mentioned ordinance and is one of the General Obligation Bonds (Alternate Revenue Source), Series 2007, of the Village of Vernon Hills, Lake County, Illinois.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., Chicago, Illinois,
as Bond Registrar

By _____
Authorized Signatory

[Form of Bond - Reverse Side]

VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS
GENERAL OBLIGATION BOND (ALTERNATE REVENUE SOURCE)
SERIES 2007

This bond and the bonds of the series of which it forms a part ("*Bond*" and "*Bonds*" respectively) are of an authorized issue of Three Million Dollars (\$3,000,000) Series 2007 Bonds, of like dated date and tenor except as to maturity, rate of interest, and privilege of redemption and are issued pursuant to applicable provisions of the Illinois Municipal Code, as amended, and the Local Government Debt Reform Act of the State of Illinois, as amended (the "*Reform Act*"). The Bonds are issued for the purpose of paying the costs of (i) rehabilitating and furnishing a newly-acquired building in order to expand the Village's police station and (ii) infrastructure improvements within the Northwest and Southwest Corners of Route 45 and 21 Town Center Redevelopment Area of the Village.

The Bonds are payable from (i) all collections distributed to the Village from those taxes imposed by the State of Illinois pursuant to the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act and the Retailer's Occupation Tax Act, each as supplemented and amended from time to time, or substitute taxes therefor as provided by the State of Illinois in the future (the "*Pledged Revenues*") and (ii) the ad valorem taxes levied against all of the taxable property in the Village without limitation as to rate or amount, pledged hereunder by the Village as security for the Bonds (the "*Pledged Taxes*," and together with the Pledged Revenues, the "*Pledged Moneys*").

The Bonds are issued pursuant to an authorizing ordinance passed by the President and Board of Trustees of the Village (the "*Board*") on the 22nd day of February, 2007, and by a more complete bond ordinance passed by the Board on the 10th of April, 2007 (the "*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 and will not constitute an indebtedness of the Village within the meaning of any constitutional or statutory provision or limitation, unless the Pledged Taxes shall be extended pursuant to the general obligation, full faith and credit promise supporting the Bonds, in which case the amount of the Bonds then Outstanding shall be included in the computation of indebtedness of the Village for purposes of all statutory provisions or limitations until such time as an audit of the Village shall show that the Bonds shall have been paid from the Pledged Revenues for a complete Fiscal Year.

The Village reserves the right to issue Additional Bonds without limit from time to time payable from the Pledged Revenues, and any such Additional Bonds shall share ratably and equally in the Pledged Revenues with the Bonds; *provided, however*, that no Additional Bonds shall be issued except in accordance with the provisions of the Reform Act. The Bonds are on a parity with and share ratably and equally in the Pledged Revenues with the General Obligation Bonds (Alternate Revenue Source), Series 2000, General Obligation Bonds (Alternate Revenue Source), Series 2001, General Obligation

Bonds (Alternate Revenue Source), Series 2002, General Obligation Refunding Bonds (Alternate Revenue Source), Series 2004, General Obligation Refunding Bonds (Alternate Revenue Source), Series 2005 and General Obligation Bonds (Alternate Revenue Source), Series 2006, of the Village.

This Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Ordinance.

Upon surrender for transfer or exchange of this Bond at the principal corporate trust office of the Bond Registrar in the Chicago, Illinois, duly endorsed by or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Bond Registrar and duly executed by the Registered Owner or an attorney for such owner duly authorized in writing, the Village shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees or, in the case of an exchange, the Registered Owner, a new fully registered Bond or Bonds of like tenor, of the same maturity, bearing the same interest rate, of authorized denominations, for a like aggregate principal amount.

The Bonds may be subject to optional and mandatory redemption, and the holder of this Bond shall refer to the provisions of the Ordinance for the terms and provision for notice of redemption.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 15th day of the month of any interest payment date on such Bond and ending at the opening of business on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

The Village 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 Village 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 and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____

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

Dated: _____

Signature Guaranteed: _____

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

Section 9. Sale of the Bonds. The Bonds hereby authorized shall be executed as in this Ordinance provided as soon after the passage hereof as may be, and thereupon be deposited with the Treasurer of the Village, and be by said Treasurer delivered to Harris N.A., Chicago, Illinois, the purchaser thereof (the "*Purchaser*"), upon receipt of the purchase price therefor, the same being \$2,979,023.00, plus accrued interest to date of delivery; the contract for the sale of the Bonds heretofore entered into (the "*Purchase Contract*") is in all respects ratified, approved and confirmed, it being hereby found and determined that the Bonds have been sold at such price and bear interest at such rates that neither the true interest cost (yield) nor the net interest rate received upon such sale exceed the maximum rate otherwise authorized by Illinois law and that the Purchase Contract is in the best interests of the Village and that no person holding any office of the Village, either by election or appointment, is in any manner financially interested directly in his own name or indirectly in the name of any other person, association, trust or corporation, in the Purchase Contract.

The use by the Purchaser of any Preliminary Official Statement and any final Official Statement relating to the Bonds and before the Board at the time of the adoption hereof is hereby ratified, approved and authorized; the execution and delivery of said final Official Statement is hereby authorized; and the officers of the Board are hereby authorized to take any action as may be required on the part of the Village to consummate the transactions contemplated by the Purchase Contract, this Ordinance, said Preliminary Official Statement, said final Official Statement and the Bonds.

Section 10. Treatment of Bonds As Debt. The Bonds shall be payable from the Pledged Moneys and do not and shall not constitute an indebtedness of the Village within the meaning of any constitutional or statutory limitation, unless the Pledged Taxes shall be extended pursuant to the general obligation, full faith and credit promise supporting the Bonds, as set forth in Section 14 hereof, in which case the amount of the Bonds then Outstanding shall be included in the computation of indebtedness of the Village for purposes of all statutory provisions or limitations until such time as an audit of the Village shall show that the Bonds have been paid from the Pledged Revenues for a complete Fiscal Year, in accordance with the Reform Act.

Section 11. Series 2007 Alternate Bond Fund. There is hereby created a special fund of the Village, which fund shall be held separate and apart from all other funds and

accounts of the Village and shall be known as the "*Village of Vernon Hills 2007 Alternate Bond Fund*" (the "*Bond Fund*"). The purpose of the Bond Fund is to provide a fund to receive and disburse the Pledged Moneys for any of the Bonds. All payments with respect to the Bonds shall be made directly from the Bond Fund. There are hereby created two accounts of the Bond Fund, designated the Pledged Revenues Account and the Pledged Taxes Account. All Pledged Revenues to be applied to the payment of the Bonds shall be deposited to the credit of the Pledged Revenues Account and all Pledged Taxes shall be deposited to the credit of the Pledged Taxes Account. The Bond Fund and its respective accounts constitute a trust fund established for the purpose of carrying out the covenants, terms and conditions imposed upon the Village by this Ordinance.

Any Pledged Taxes received by the Village shall promptly be deposited into the Pledged Taxes Account of the Bond Fund. Pledged Taxes on deposit to the credit of the Pledged Taxes Account shall be fully spent to pay the principal of and interest on the Bonds for which such taxes were levied and collected prior to use of any moneys on deposit in the Pledged Revenues Account of the Bond Fund.

There shall be credited to the Pledged Revenues Account of the Bond Fund and held, in cash and investments, on or before the first day of each month by the financial officer of the Village, without any further official action or direction, the Pledged Revenues. Each monthly deposit shall be a fractional amount of the interest becoming due on the next succeeding interest payment date on all Bonds and also a fractional amount of the principal becoming due on the next succeeding maturity date of all of the Bonds until there shall have been accumulated and held, in cash and investments, in the Pledged Revenues Account on or before the month preceding such maturity date of interest or maturity date of principal, an amount sufficient to pay such principal or interest, or both.

In computing the fractional amount to be set aside each month in the Pledged Revenues Account, the fraction shall be so computed that a sufficient amount will be set aside in said Account and will be available for the prompt payment of such principal of and interest on all Bonds and shall be not less than one-sixth of the interest becoming due on the succeeding interest payment date and not less than one-twelfth of the principal becoming due on the next succeeding principal payment date on all Bonds outstanding until there is sufficient money in said Account to pay such principal or interest, or both.

Credits to the Pledged Revenues Account need not be made at such time as there shall be a sufficient sum, held in cash and investments, in said Account to meet principal and interest requirements in said Account on the next two (2) succeeding debt service payment dates on the Bonds outstanding.

Section 12. Investments. Moneys on deposit in and to the credit of the Bond Fund shall be invested by the Treasurer, but only in investments then permitted under Illinois law. Such investments shall mature or be subject to redemption at the option of the holder thereof prior to the time when needed and may be sold from time to time by the Treasurer as funds may be needed for the purpose for which said Subaccount has

been created. After making provision for the payment of any amount of excess arbitrage profits, as provided in the Code, attributable to investment earnings or profits to the hereinafter created Rebate Fund for the Outstanding Bonds, all earnings or profit on any funds so invested in the Bond Fund shall be retained therein.

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

Section 13. Use of Bond Proceeds. The proceeds derived from the sale of the Bonds shall be used as follows:

A. Accrued interest received by the Village upon the sale of the Bonds shall be remitted by the Village Treasurer for deposit into the Bond Fund, and be used to pay first interest coming due on the Bonds.

B. The Village shall then allocate from the Bond proceeds the sum necessary for expenses incurred in the issuance of the Bonds which shall be deposited into an “Expense Fund” to be maintained by the Village Treasurer and disbursed for such issuance expenses from time to time in accordance with usual Village procedures for the disbursement of funds, which disbursements are hereby expressly authorized. Moneys not disbursed from the Expense Fund within six months shall be transferred by the Village for deposit in the hereinafter described Project Fund, and any deficiencies in the Expense Fund shall be paid by disbursement from the Project Fund.

C. The balance of the proceeds derived from the sale of the Bonds shall be deposited into a separate fund, hereby created and known as the “2007 Project Fund” (the “*Project Fund*”). Such proceeds are hereby appropriated for the purpose of paying the cost of the Project. Upon the acquisition of the Project or the depletion of the Project Fund, whichever shall first occur, the Project Fund shall be closed. In the event that funds shall remain in the Project Fund, all such funds shall be transferred to the Pledged Revenues Account of the Bond Fund and shall be used to pay principal of and interest on the Bonds. Moneys to the credit of and on deposit in the Project Fund may be invested by the Treasurer with no further official action or direction by the Board in lawful investments as at the time permitted under Illinois law.

Section 14. Pledged Taxes; Tax Levy. For the purpose of providing necessary funds to pay the principal of and interest on the Bonds at maturity, and as provided in Section 15 of the Reform Act, there is hereby levied upon all of the taxable property within the Village, in the years for which any of the Bonds are Outstanding, a direct annual tax in amounts sufficient for that purpose, and there be and there hereby is levied

upon all of the taxable property in the Village the following direct annual taxes (the “Pledged Taxes”):

FOR THE YEAR	A TAX SUFFICIENT TO PRODUCE THE SUM OF:	
2007	\$217,265.00	for principal and interest up to and including March 30, 2009
2008	\$218,265.00	for principal and interest
2009	\$219,065.00	for principal and interest
2010	\$219,665.00	for principal and interest
2011	\$220,065.00	for principal and interest
2012	\$220,265.00	for principal and interest
2013	\$220,265.00	for principal and interest
2014	\$220,065.00	for principal and interest
2015	\$219,665.00	for principal and interest
2016	\$224,065.00	for principal and interest
2017	\$223,065.00	for principal and interest
2018	\$226,865.00	for principal and interest
2019	\$225,265.00	for principal and interest
2020	\$223,465.00	for principal and interest
2021	\$226,377.50	for principal and interest
2022	\$228,885.00	for principal and interest
2023	\$225,987.50	for principal and interest
2024	\$227,737.50	for principal and interest
2025	\$229,075.00	for principal and interest

Principal or interest maturing at any time when there are insufficient funds on hand from the Pledged Moneys to pay the same shall be paid promptly when due from current funds on hand in advance of the collection of the Pledged Moneys herein pledged and levied; and when the Pledged Moneys shall have been collected, reimbursement shall be made to said funds in the amount so advanced.

Section 15. Filing with County Clerk. After this Ordinance becomes effective, a copy hereof, certified by the Village Clerk, shall be filed with the County Clerk. The County Clerk shall in and for each of the years required ascertain the rate percent required to produce the aggregate Pledged Taxes hereinbefore provided to be levied in each of said years; and the County Clerk shall extend the same for collection on the tax books in connection with other taxes levied in said years in and by the Village for general corporate purposes of the Village; and the County Clerk, or other appropriate officers or designees, shall remit the Pledged Taxes for deposit to the credit of the Bond Fund, and in said years the Pledged Taxes shall be levied and collected by and for and on behalf of the Village in like manner as taxes for general municipal purposes of the Village for said years are levied and collected, and in addition to and in excess of all other taxes. The Pledged Taxes are hereby irrevocably pledged to and shall be used only for the purpose of paying principal of and interest on the Bonds.

Section 16. Abatement of Pledged Taxes. As provided in the Reform Act, whenever the Pledged Revenues shall have been determined by the Village Treasurer to provide in any calendar year an amount not less than 1.25 times debt service of all outstanding Bonds in the next succeeding Bond Year (September 30 and March 30) and whenever the Pledged Revenues have been deposited in the Bond Fund in an amount sufficient to pay debt service on all outstanding Bonds in the next succeeding Bond Year, the Village Treasurer shall, prior to the time the Pledged Taxes levied in such calendar year are extended, direct the abatement of the Pledged Taxes, and proper notification of such abatement shall be filed with the County Clerk in a timely manner to effect such abatement. To ensure that such moneys are available to abate the Pledged Taxes, the Village covenants to deposit monthly into the Bond Fund an amount equal to one-sixth (1/6) of the next scheduled interest payment and one-twelfth (1/12) of the next scheduled principal payment, as set forth in Section 11.

At the time of delivery of the Bonds, there shall be credited to the Bond Fund, the sum of \$211,020.63 derived from funds of the Village on hand and lawfully available therefor. Such amount shall represent the amount sufficient to pay debt service on the Bonds for the Bond Year up to and including March 30, 2008.

Section 17. Pledged Revenues; General Covenants. The Village covenants and agrees with the holders of the Alternate Bonds that, so long as any Alternate Bonds remain Outstanding:

A. The Pledged Revenues are hereby pledged to the payment of the Alternate Bonds; and the Board covenants and agrees to provide for, collect and apply the Pledged Revenues to the payment of all of such bonds as are from time to time Outstanding Bonds and the provision of not less than an additional 0.25 times debt service thereon, all in accordance with Section 15 of the Reform Act.

B. The Village will punctually pay or cause to be paid from the Bond Fund the principal of, interest on and premium, if any, to become due in respect to the Alternate Bonds in strict conformity with the terms of the Alternate Bonds and this Ordinance, and it will faithfully observe and perform all of the conditions, covenants and requirements thereof.

C. The Village will pay and discharge, or cause to be paid and discharged, from the Bond Fund any and all lawful claims which, if unpaid, might become a lien or charge upon the Pledged Revenues, or any part thereof, or upon any such funds in the hands of the Paying Agent, or which might impair the security of the Alternate Bonds. Nothing herein contained shall require the Village to make any such payment so long as the Village in good faith shall contest the validity of said claims.

D. The Village will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Village, in which complete and correct entries shall be made of all transactions relating to the

Project, to the Pledged Revenues and to the Bond Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the holders of not less than ten per cent (10%) of the principal amount of the Outstanding Alternate Bonds or their representatives authorized in writing.

E. The Village will preserve and protect the security of the Alternate Bonds and the rights of the registered owners of the Alternate Bonds, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Alternate Bonds by the Village, the Alternate Bonds shall be incontestable by the Village.

F. The Village will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention of, or to facilitate the performance of, this Ordinance, and for the better assuring and confirming unto the holders of the Alternate Bonds of the rights and benefits provided in this Ordinance.

G. As long as any Alternate Bonds are Outstanding, the Village will continue to deposit the Pledged Revenues and, if necessary, the Pledged Taxes to the appropriate accounts of the Bond Fund. The Village covenants and agrees with the purchasers of the Alternate Bonds and with the registered owners thereof that so long as any Alternate Bonds remain Outstanding, the Village will take no action or fail to take any action which in any way would adversely affect the ability of the Village to collect the Pledged Revenues. The Village and its officers will comply with all present and future applicable laws in order to assure that the Pledged Revenues and the Pledged Taxes may be collected as provided herein and deposited into the Bond Fund.

H. Once issued, the Alternate Bonds shall be and forever remain until paid or defeased the general obligation of the Village, for the payment of which its full faith and credit are pledged, and shall be payable, in addition to the Pledged Revenues, from the levy of the Pledged Taxes as provided in the Reform Act.

Section 18. Additional Bonds. The Village reserves the right to issue Additional Bonds without limit from time to time payable from the Pledged Revenues, and any such Additional Bonds shall share ratably and equally in the Pledged Revenues with the Bonds; *provided, however,* that not Additional Bonds shall be issued except in accordance with the provisions of the Reform Act.

Section 19. Defeasance. Bonds which are no longer Outstanding Bonds as defined in this Ordinance shall cease to have any lien on or right to receive or be paid from Pledged Revenues or the Pledged Revenues, as applicable, or the Pledged Taxes, for either series, and shall no longer have the benefits of any covenant for the registered owners of Outstanding Bonds as set forth herein as such relates to lien and security for the Bonds in the Pledged Revenues or the Pledged Taxes.

Section 20. This Ordinance a Contract. The provisions of this Ordinance shall constitute a contract between the Village and the registered owners of the Bonds, and no changes, additions or alterations of any kind shall be made hereto, except as herein provided.

Section 21. Non-Arbitrage and Tax-Exemption. One purpose of this Section is to set forth various facts regarding the Bonds and to establish the expectations of the Board and the Village as to future events regarding the Bonds and the use of Bond 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 Bonds. 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 Bonds) if taking, permitting or omitting to take such action would cause any of the Bonds to be an arbitrage bond or a private activity bond within the meaning of the hereinafter defined Code or would otherwise cause the interest on the Bonds to be included in the gross income of the recipients thereof for federal income tax purposes. The 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 Bonds, 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. The Board and the Village certify, covenant and represent as follows:

1.1. Definitions. In addition to such other words and terms used and defined in this Ordinance, the following words and terms used in this Section shall have the following meanings unless, in either case, the context or use clearly indicates another or different meaning is intended:

“*Affiliated Person*” means any Person that (a) at any time during the six months prior to the execution and delivery of the Bonds, (i) has more than five percent of the voting power of the governing body of the Village in the aggregate vested in its directors, officers, owners, and employees or, (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members or employees of the Village or (b) during the one-year period beginning six months prior to the execution and delivery of the Bonds, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Village (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Village is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

“*Bond Counsel*” means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

“*Capital Expenditures*” means costs of a type that would be properly chargeable to a capital account under the Code (or would be so chargeable with a proper election) under federal income tax principles if the Village were treated as a corporation subject to federal income taxation, taking into account the definition of Placed-in-Service set forth herein.

“*Closing*” means the first date on which the Village is receiving the purchase price for the Bonds.

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

“*Commingled Fund*” means any fund or account containing both Gross Proceeds and an amount in excess of \$25,000 that are not Gross Proceeds if the amounts in the fund or account are invested and accounted for, collectively, without regard to the source of funds deposited in the fund or account. An open-ended regulated investment company under Section 851 of the Code is not a Commingled Fund.

“*Control*” means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity:

(a) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity; or

(b) to require the use of funds or assets of a Controlled Entity for any purpose.

“*Controlled Entity*” means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

“*Controlled Group*” means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has Control of the other entities.

“*Controlling Entity*” means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

“*Costs of Issuance*” means the costs of issuing the Bonds, including underwriters’ discount and legal fees, but not including the fees for the Credit Facility described in paragraph 5.6 hereof.

“*Credit Facility*” means the municipal bond insurance policy issued by the Credit Facility Provider.

“*Credit Facility Provider*” means Financial Security Assurance Inc.

“*De minimis Amount of Original Issue Discount or Premium*” means with respect to an obligation (a) any original issue discount or premium that does not exceed two percent of the stated redemption price at maturity of the Bonds plus (b) any original issue premium that is attributable exclusively to reasonable underwriter’s compensation.

“*External Commingled Fund*” means a Commingled Fund in which the Village and all members of the same Controlled Group as the Village own, in the aggregate, not more than ten percent of the beneficial interests.

“*GIC*” means (a) any investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate and (b) any agreement to supply investments on two or more future dates (e.g., a forward supply contract).

“*Gross Proceeds*” means amounts in the Bond Fund and the Project Fund.

“*Net Sale Proceeds*” means amounts actually or constructively received from the sale of the Bonds reduced by any such amounts that are deposited in a reasonably required reserve or replacement fund for the Bonds.

“*Person*” means any entity with standing to be sued or to sue, including any natural person, corporation, body politic, governmental unit, agency, authority, partnership, trust, estate, association, company, or group of any of the above.

“*Placed-in-Service*” means the date on which, based on all facts and circumstances (a) a facility has reached a degree of completion that would permit its operation at substantially its design level and (b) the facility is, in fact, in operation at such level.

“*Private Business Use*” means any use of the Project by any Person other than a state or local government unit, including as a result of (i) ownership, (ii) actual or beneficial use pursuant to a lease or a management, service, incentive payment, research or output contract or (iii) any other similar arrangement, agreement or understanding, whether written or oral, except for use of the Project on the same basis as the general public. Private Business Use includes any formal or informal arrangement with any person other than a state or local governmental unit that conveys special legal entitlements to any portion of the Project that is available for use by the general public or that conveys to any person other than a state or local governmental unit any special economic benefit

with respect to any portion of the Project that is not available for use by the general public.

“Qualified Administrative Costs of Investments” means (a) reasonable, direct administrative costs (other than carrying costs) such as separately stated brokerage or selling commissions but not legal and accounting fees, recordkeeping, custody and similar costs; or (b) all reasonable administrative costs, direct or indirect, incurred by a publicly offered regulated investment company or an External Commingled Fund.

“Qualified Tax Exempt Obligations” means (a) any obligation described in Section 103(a) of the Code, the interest on which is excludable from gross income of the owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed by Section 55 of the Code; (b) an interest in a regulated investment company to the extent that at least ninety-five percent of the income to the holder of the interest is interest which is excludable from gross income under Section 103 of the Code of any owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed by Section 55 of the Code; and (c) certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 C.F.R. part 344.

“Rebate Fund” means the fund, if any, identified and defined in paragraph 4.2 herein.

“Rebate Provisions” means the rebate requirements contained in Section 148(f) of the Code and in the Regulations.

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

“Reimbursed Expenditures” means expenditures of the Village paid prior to Closing to which Sale Proceeds or investment earnings thereon are or will be allocated.

“Sale Proceeds” means amounts actually or constructively received from the sale of the Bonds, including (a) amounts used to pay underwriters’ discount or compensation and accrued interest, other than accrued interest for a period not greater than one year before Closing but only if it is to be paid within one year after Closing and (b) amounts derived from the sale of any right that is part of the terms of a Bond or is otherwise associated with a Bond (*e.g.*, a redemption right).

“Yield” means that discount rate which when used in computing the present value of all payments of principal and interest paid and to be paid on an obligation (using semiannual compounding on the basis of a 360-day year)

produces an amount equal to the obligation's purchase price (or in the case of the Bonds, the issue price as established in paragraph 5.1 hereof), including accrued interest.

"Yield Reduction Payment" means a rebate payment or any other amount paid to the United States in the same manner as rebate amounts are required to be paid or at such other time or in such manner as the Internal Revenue Service may prescribe that will be treated as a reduction in Yield of an investment under the Regulations.

2.1. Purpose of the Bonds. The Bonds are being issued to finance the Project in a prudent manner consistent with the revenue needs of the Village. A breakdown of the sources and uses of funds is set forth in the preceding Section of this Ordinance. Except for any accrued interest on the Bonds used to pay first interest due on the Bonds, no proceeds of the Bonds 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 Village or for the purpose of replacing any funds of the Village used for such purpose.

2.2. The Project—Binding Commitment and Timing. The Village has incurred or will, within six months of the Closing, incur a substantial binding obligation (not subject to contingencies within the control of the Village or any member of the same Controlled Group as the Village) to a third party to expend at least five percent of the Net Sale Proceeds on the Project. It is expected that the work of acquiring and constructing the Project and the expenditure of amounts deposited into the Project Fund will continue to proceed with due diligence through April 15, 2010, at which time it is anticipated that all Sale Proceeds and investment earnings thereon will have been spent.

2.3. Reimbursement. None of the Sale Proceeds or investment earnings thereon will be used for Reimbursed Expenditures.

2.4. Working Capital. All Sale Proceeds and investment earnings thereon will be used, directly or indirectly, to finance Capital Expenditures other than the following:

(a) an amount not to exceed five percent of the Sale Proceeds for working capital expenditures directly related to Capital Expenditures financed by the Bonds;

(b) payments of interest on the Bonds for a period commencing at Closing and ending on the later of the date three years after Closing or one year after the date on which the Project is Placed-in-Service;

(c) Costs of Issuance and Qualified Administrative Costs of Investments;

(d) payments of rebate or Yield Reduction Payments made to the United States under the Regulations;

(e) principal of or interest on the Bonds paid from unexpected excess Sale Proceeds and investment earnings thereon;

(f) fees for the Credit Facility; and

(g) investment earnings that are commingled with substantial other revenues and are expected to be allocated to expenditures within six months.

2.5. *Consequences of Contrary Expenditure.* The Village acknowledges that if Sale Proceeds and investment earnings thereon are spent for non-Capital Expenditures other than as permitted by paragraph 2.4 hereof, a like amount of then available funds of the Village will be treated as unspent Sale Proceeds.

2.6. *Investment of Bond Proceeds.* Not more than 50% of the Sale Proceeds and investment earnings thereon are or will be invested in investments (other than Qualified Tax Exempt Obligations) having a Yield that is substantially guaranteed for four years or more. No portion of the Bonds is being issued solely for the purpose of investing a portion of Sale Proceeds or investment earnings thereon at a Yield higher than the Yield on the Bonds.

It is expected that the Sale Proceeds deposited into the Project Fund, including investment earnings on the Project Fund, will be spent to pay costs of the Project and interest on the Bonds not later than the date set forth in paragraph 2.2 hereof, the investment earnings on the Bond Fund will be spent to pay interest on the Bonds, or to the extent permitted by law, investment earnings on amounts in the Project Fund and the Bond Fund will be commingled with substantial revenues from the governmental operations of the Village, and the earnings are reasonably expected to be spent for governmental purposes within six months of the date earned. Interest earnings on the Project Fund and the Bond Fund have not been earmarked or restricted by the Board for a designated purpose.

2.7. *No Grants.* None of the Sale Proceeds or investment earnings thereon will be used to make grants to any person.

2.8. *Hedges.* Neither the Village nor any member of the same Controlled Group as the Village has entered into or expects to enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Bonds. The Village acknowledges that any such hedge

could affect, among other things, the calculation of Bond Yield under the Regulations. The Internal Revenue Service could recalculate Bond Yield if the failure to account for the hedge fails to clearly reflect the economic substance of the transaction.

The Village also acknowledges that if it acquires a hedging contract with an investment element (including *e.g.* an off-market swap agreement, or any cap agreement for which all or a portion of the premium is paid at, or before the effective date of the cap agreement), then a portion of such hedging contract may be treated as an investment of Gross Proceeds of the Bonds, and be subject to the fair market purchase price rules, rebate and yield restriction. The Village agrees not to use proceeds of the Bonds to pay for any such hedging contract in whole or in part. The Village also agrees that it will not give any assurances to any Bond holder, the Credit Facility Provider or any other credit or liquidity enhancer with respect to the Bonds that any such hedging contract will be entered into or maintained. The Village recognizes that if a portion of a hedging contract is determined to be an investment of gross proceeds, such portion may not be fairly priced even if the hedging contract as a whole is fairly priced.

2.9. Internal Revenue Service Audits. The Village represents that the Internal Revenue Service has not contacted the Village regarding any obligations issued by or on behalf of the Village. To the best of the knowledge of the Village, no such obligations of the Village are currently under examination by the Internal Revenue Service.

3.1. Use of Proceeds. (a) The use of the Sale Proceeds and investment earnings thereon and the funds held under this Ordinance at the time of Closing are described in the preceding Section of this Ordinance. No Sale Proceeds will be used to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, except for any payment to the Credit Facility Provider. No Sale Proceeds or any investment earnings thereon will be used to pay for or otherwise acquire goods or services from an Affiliated Person.

(b) Only the funds and accounts described in said Section will be funded at Closing. There are no other funds or accounts created under this Ordinance, other than the Rebate Fund if it is created as provided in paragraph 4.2 hereof.

(c) Principal of and interest on the Bonds will be paid from the Bond Fund.

(d) Any Costs of Issuance incurred in connection with the issuance of the Bonds to be paid by the Village will be paid at the time of Closing.

(e) The costs of the Project will be paid from the Project Fund and no other moneys (except for investment earnings on amounts in the Project Fund) are expected to be deposited therein.

3.2. *Purpose of Bond Fund.* The Bond Fund will be used primarily to achieve a proper matching of revenues and earnings with principal and interest payments on the Bonds in each bond year. It is expected that the Bond Fund will be depleted at least once a year, except for a reasonable carry over amount not to exceed the greater of (a) the earnings on the investment of moneys in the Bond Fund for the immediately preceding bond year or (b) 1/12th of the principal and interest payments on the Bonds for the immediately preceding bond year.

3.3. *No Other Gross Proceeds.* (a) Except for the Bond Fund and the Project Fund, and except for investment earnings that have been commingled as described in paragraph 2.6 and any credit enhancement or liquidity device related to the Bonds, after the issuance of the Bonds, neither the Village nor any member of the same Controlled Group as the Village has or will have any property, including cash, securities or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) Sale Proceeds;

(ii) amounts in any fund or account with respect to the Bonds (other than the Rebate Fund);

(iii) amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the Bonds were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(iv) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Bonds or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Bonds or any obligations under any credit enhancement or liquidity device with respect to the Bonds, even if the Village encounters financial difficulties;

(v) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the Bondholders or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay

principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Bonds or a guarantor of the Bonds); or

(vi) amounts actually or constructively received from the investment and reinvestment of the amounts described in (i) or (ii) above.

(b) No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Bonds or any credit enhancement or liquidity device related to the Bonds.

(c) The term of the Bonds is not longer than is reasonably necessary for the governmental purposes of the Bonds. The average reasonably expected economic life of the Project is at least 20 years. The weighted average maturity of the Bonds does not exceed 12 years and does not exceed 120 percent of the average reasonably expected economic life of the Project. The maturity schedule of the Bonds (the "*Principal Payment Schedule*") is based on an analysis of revenues expected to be available to pay debt service on the Bonds. The Principal Payment Schedule is not more rapid (*i.e.*, having a lower average maturity) because a more rapid schedule would place an undue burden on tax rates and cause such rates to be increased beyond prudent levels, and would be inconsistent with the governmental purpose of the Bonds as set forth in paragraph 2.1 hereof.

4.1. Compliance with Rebate Provisions. The Village covenants to take such actions and make, or cause to be made, all calculations, transfers and payments that may be necessary to comply with the Rebate Provisions applicable to the Bonds. The Village will make, or cause to be made, rebate payments with respect to the Bonds in accordance with law.

4.2. Rebate Fund. The Village is hereby authorized to create and establish a special fund to be known as the Rebate Fund (the "*Rebate Fund*"), which, if created, shall be continuously held, invested, expended and accounted for in accordance with this Ordinance. Moneys in the Rebate Fund shall not be considered moneys held for the benefit of the owners of the Bonds. Except as provided in the Regulations, moneys in the Rebate Fund (including earnings and deposits therein) shall be held in trust for payment to the United States as required by the Rebate Provisions and by the Regulations and as contemplated under the provisions of this Ordinance.

4.3. Records. The Village agrees to keep and retain or cause to be kept and retained until six years (three years for the records required by paragraph 4.4(c) hereof) after the Bonds are paid in full adequate records with respect to the investment of all Gross Proceeds and amounts in the Rebate Fund. Such records shall include: (a) purchase price; (b) purchase date; (c) type of investment; (d) accrued interest paid; (e) interest rate; (f) principal amount;

(g) maturity date; (h) interest payment date; (i) date of liquidation; and (j) receipt upon liquidation.

If any investment becomes Gross Proceeds on a date other than the date such investment is purchased, the records required to be kept shall include the fair market value of such investment on the date it becomes Gross Proceeds. If any investment is retained after the date the last Bond is retired, the records required to be kept shall include the fair market value of such investment on the date the last Bond is retired. Amounts or investments will be segregated whenever necessary to maintain these records.

4.4. Fair Market Value; Certificates of Deposit and Investment Agreements. The Village will continuously invest all amounts on deposit in the Rebate Fund, together with the amounts, if any, to be transferred to the Rebate Fund, in any investment permitted under this Ordinance. In making investments of Gross Proceeds or of amounts in the Rebate Fund the Village shall take into account prudent investment standards and the date on which such moneys may be needed. Except as provided in the next sentence, all amounts that constitute Gross Proceeds and all amounts in the Rebate Fund shall be invested at all times to the greatest extent practicable, and no amounts may be held as cash or be invested in zero yield investments other than obligations of the United States purchased directly from the United States. In the event moneys cannot be invested, other than as provided in this sentence due to the denomination, price or availability of investments, the amounts shall be invested in an interest bearing deposit of a bank with a yield not less than that paid to the general public or held uninvested to the minimum extent necessary.

Gross Proceeds and any amounts in the Rebate Fund that are invested in certificates of deposit or in GICs shall be invested only in accordance with the following provisions:

(a) Investments in certificates of deposit of banks or savings and loan associations that have a fixed interest rate, fixed payment schedules and substantial penalties for early withdrawal shall be made only if either (i) the Yield on the certificate of deposit (A) is not less than the Yield on reasonably comparable direct obligations of the United States and (B) is not less than the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public or (ii) the investment is an investment in a GIC and qualifies under paragraph (b) below.

(b) Investments in GICs shall be made only if

(i) the bid specifications are in writing, include all material terms of the bid and are timely forwarded to potential providers (a

term is material if it may directly or indirectly affect the yield on the GIC);

(ii) the terms of the bid specifications are commercially reasonable (a term is commercially reasonable if there is a legitimate business purpose for the term other than to reduce the yield on the GIC);

(iii) all bidders for the GIC have equal opportunity to bid so that, for example, no bidder is given the opportunity to review others bids (a last look) before bidding;

(iv) any agent used to conduct the bidding for the GIC does not bid to provide the GIC;

(v) at least three of the providers solicited for bids for the GIC are reasonably competitive providers of investments of the type purchased (*i.e.*, providers that have established industry reputations as competitive providers of the type of investments being purchased);

(vi) at least three of the entities that submit a bid do not have a financial interest in the Bonds;

(vii) at least one of the entities that provided a bid is a reasonably competitive provider that does not have a financial interest in the Bonds;

(viii) the bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Village or any other person (whether or not in connection with the Bonds) and that the bid is not being submitted solely as a courtesy to the Village or any other person for purposes of satisfying the federal income tax requirements relating to the bidding for the GIC;

(ix) the determination of the terms of the GIC takes into account the reasonably expected deposit and drawdown schedule for the amounts to be invested;

(x) the highest-yielding GIC for which a qualifying bid is made (determined net of broker's fees) is in fact purchased; and

(xi) the obligor on the GIC certifies the administrative costs that it is paying or expects to pay to third parties in connection with the GIC.

(c) If a GIC is purchased, the Village will retain the following records with its bond documents until three years after the Bonds are redeemed in their entirety:

(i) a copy of the GIC;

(ii) the receipt or other record of the amount actually paid for the GIC, including a record of any administrative costs paid, and the certification under subparagraph (b)(xi) of this paragraph;

(iii) for each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results; and

(iv) the bid solicitation form and, if the terms of the GIC deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

Moneys to be rebated to the United States shall be invested to mature on or prior to the anticipated rebate payment date. All investments made with Gross Proceeds or amounts in the Rebate Fund shall be bought and sold at fair market value. The fair market value of an investment is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction. Except for investments specifically described in this Section and United States Treasury obligations that are purchased directly from the United States Treasury, only investments that are traded on an established securities market, within the meaning of regulations promulgated under Section 1273 of the Code, will be purchased with Gross Proceeds. In general, an "established securities market" includes: (i) property that is listed on a national securities exchange, an interdealer quotation system or certain foreign exchanges; (ii) property that is traded on a Commodities Futures Trading Commission designated board of trade or an interbank market; (iii) property that appears on a quotation medium; and (iv) property for which price quotations are readily available from dealers and brokers. A debt instrument is not treated as traded on an established market solely because it is convertible into property which is so traded.

An investment of Gross Proceeds in an External Commingled Fund shall be made only to the extent that such investment is made without an intent to reduce the amount to be rebated to the United States Government or to create a smaller profit or a larger loss than would have resulted if the transaction had been

at arm's length and had the rebate or Yield restriction requirements not been relevant to the Village. An investment of Gross Proceeds shall be made in a Commingled Fund other than an External Commingled Fund only if the investments made by such Commingled Fund satisfy the provisions of this paragraph.

A single investment, or multiple investments awarded to a provider based on a single bid may not be used for funds subject to different rules relating to rebate or yield restriction.

The foregoing provisions of this paragraph satisfy various safe harbors set forth in the Regulations relating to the valuation of certain types of investments. The safe harbor provisions of this paragraph are contained herein for the protection of the Village, who has covenanted not to take any action to adversely affect the tax-exempt status of the interest on the Bonds. The Village will contact Bond Counsel if it does not wish to comply with the provisions of this paragraph and forego the protection provided by the safe harbors provided herein.

4.5. *Arbitrage Elections.* The President, Clerk and Treasurer of the Village are hereby authorized to execute one or more elections regarding certain matters with respect to arbitrage.

4.6. *Small Issuer Exception.* The Village is a governmental unit that has the power to impose a tax or to cause another entity to impose a tax of general applicability that, when collected, may be used for the governmental purposes of the Village. The power to impose such tax is not contingent on approval by another governmental unit; a tax of general applicability is one that is not limited to a small number of persons. The Village is not subject to Control by any other governmental unit or political subdivision. None of the Bonds is or will be a "private activity bond" (as defined in Section 141 of the Code). Ninety-five percent or more of the Sale Proceeds will be used for local governmental activities of the Village. None of the Village, any entity that issues tax-exempt bonds on behalf of the Village or any entity subject to Control by the Village will issue, during the calendar year 2007, any tax-exempt bonds (other than current refunding bonds to the extent of the aggregate face amount of the tax-exempt bonds currently refunded thereby) in an aggregate face amount in excess of the *maximum aggregate face amount* (as hereinafter defined). As used herein, (a) "*tax-exempt bonds*" means obligations of any kind, the interest on which is excludable from gross income of the holders or owners thereof for federal income tax purposes pursuant to Section 103 of the Code but not including (i) "private activity bonds" (as defined in Section 141 of the Code) or (ii) obligations issued to refund another obligation if it is issued not more than 90 days before the redemption of the refunded obligation to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation, (b) "*aggregate face amount*" means, if an issue has more than a De minimis Amount of Original Issue Discount or Premium, the issue price of the issue and

otherwise means the face amount of the issue and (c) “*maximum aggregate face amount*” means \$5,000,000. As of the date hereof, no tax-exempt bonds or other obligations (other than the Bonds) have been issued by the Village, any entity that issues tax-exempt bonds on behalf of the Village or any entity subject to Control by the Village during the calendar year 2007. The Village does not reasonably expect that it, any entity that issues tax-exempt bonds on behalf of the Village or any entity subject to Control by the Village (including but not limited to the Village) will issue any such tax-exempt bonds or other obligations within calendar year 2007. Therefore, subject to compliance with all the terms and provisions hereof, the Village is excepted from the required rebate of arbitrage profits on the Bonds under Section 148(f)(4)(D) of the Code and from the terms and provisions of this Ordinance that need only be complied with if the Village is subject to the arbitrage rebate requirement.

5.1. Issue Price. For purposes of determining the Yield on the Bonds, the purchase price of the Bonds is equal to the first offering price (including accrued interest) at which the Purchaser sold at least ten percent of the principal amount of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). All of the Bonds have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at prices equal to those set forth in the Official Statement. Based upon prevailing market conditions, such prices are not less than the fair market value of each Bond as of the sale date for the Bonds.

5.2. Yield Limits. Except as provided in paragraph (a) or (b), all Gross Proceeds shall be invested at market prices and at a Yield (after taking into account any Yield Reduction Payments) not in excess of the Yield on the Bonds plus, if only for amounts in the Project Fund are subject to this yield limitation, 1/8th of one percent.

The following may be invested without Yield restriction:

(a)(i) amounts on deposit in the Bond Fund (except for capitalized interest) that have not been on deposit under the Ordinance for more than 13 months, so long as the Bond Fund continues to qualify as a bona fide debt service fund as described in paragraph 3.2 hereof;

(ii) amounts on deposit in the Project Fund that are reasonably expected to pay for the costs of the Project, costs of issuance of the Bonds, or interest on the Bonds during the three year period beginning on the date of issue of the Bonds prior to three years after Closing;

(iii) amounts in the Bond Fund to be used to pay capitalized interest on the Bonds prior to the earlier of three years after Closing or the payment of all capitalized interest;

(b)(i) An amount not to exceed the lesser of \$100,000 or five percent of the Sale Proceeds;

(ii) amounts invested in Qualified Tax Exempt Obligations (to the extent permitted by law and this Ordinance);

(iii) amounts in the Rebate Fund;

(iv) all amounts other than Sale Proceeds for the first 30 days after they become Gross Proceeds; and

(v) all amounts derived from the investment of Sale Proceeds or investment earnings thereon for a period of one year from the date received.

5.3. Continuing Nature of Yield Limits. Except as provided in paragraph 7.9 hereof, once moneys are subject to the Yield limits of paragraph 5.2 hereof, such moneys remain Yield restricted until they cease to be Gross Proceeds.

5.4. Federal Guarantees. Except for investments meeting the requirements of paragraph 5.2(a) hereof, investments of Gross Proceeds shall not be made in (a) investments constituting obligations of or guaranteed, directly or indirectly, by the United States (except obligations of the United States Treasury, or investments in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank, as amended (*e.g.*, Refcorp Strips)); or (b) federally insured deposits or accounts (as defined in Section 149(b)(4)(B) of the Code). Except as otherwise permitted in the immediately prior sentence and in the Regulations, no portion of the payment of principal or interest on the Bonds or any credit enhancement or liquidity device relating to the foregoing is or will be guaranteed, directly or indirectly (in whole or in part), by the United States (or any agency or instrumentality thereof), including a lease, incentive payment, research or output contract or any similar arrangement, agreement or understanding with the United States or any agency or instrumentality thereof. No portion of the Gross Proceeds has been or will be used to make loans the payment of principal or interest with respect to which is or will be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof). Neither this paragraph nor paragraph 5.5 hereof applies to any guarantee by the Federal Housing Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, the Student Loan Marketing Association or the Bonneville Power Administration

pursuant to the Northwest Power Act (16 U.S.C. 839d) as in effect on the date of enactment of the Tax Reform Act of 1984.

5.5. *Investments After the Expiration of Temporary Periods, Etc.* After the expiration of the temporary period set forth in paragraph 5.2(a)(ii) hereof, amounts in the Project Fund may not be invested in (i) federally insured deposits or accounts (as defined in Section 149(b)(4)(B) of the Code) or (ii) investments constituting obligations of or guaranteed, directly or indirectly, by the United States (except obligations of the United States Treasury or investments in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended (e.g., Refcorp Strips). Any other amounts that are subject to the yield limitation in paragraph 5.2 hereof because paragraph 5.2(a) hereof is not applicable and amounts not subject to yield restriction only because they are described in paragraph 5.2(b) hereof, are also subject to the limitation set forth in the preceding sentence.

5.6. *Treatment of Certain Credit Facility Fees.* The fee paid to the Credit Facility Provider with respect to the Credit Facility may be treated as interest in computing Bond Yield.

Neither the District nor any member of the same Controlled Group as the District is a Related Person as defined in Section 144(a)(3) of the Code to the Credit Facility Provider. The fee paid to the Credit Facility Provider does not exceed ten percent of the Sale Proceeds. Other than the fee paid to the Credit Facility Provider, neither the Credit Facility Provider nor any person who is a Related Person to the Credit Facility Provider within the meaning of Section 144(a)(3) of the Code will use any Sale Proceeds or investment earnings thereon. The fee paid for the Credit Facility does not exceed a reasonable, arm's length charge for the transfer of credit risk. The fee does not include any payment for any direct or indirect services other than the transfer of credit risk.

6.1. *Payment and Use Tests.* (a) No more than five percent of the Sale Proceeds plus investment earnings thereon will be used, directly or indirectly, in whole or in part, in any Private Business Use. The Village acknowledges that, for purposes of the preceding sentence, Gross Proceeds used to pay costs of issuance and other common costs (such as capitalized interest and fees paid for a qualified guarantee or qualified hedge) or invested in a reserve or replacement fund must be ratably allocated among all the purposes for which Gross Proceeds are being used.

(b) The payment of more than five percent of the principal of or the interest on the Bonds will not be, directly or indirectly (i) secured by any interest in (A) property used or to be used in any Private Business Use or (B) payments in respect of such property or (ii) on a present value basis, derived from payments (whether or not to the Village or a member of the same Controlled Group as the Village) in respect of property, or borrowed money, used or to be used in any Private Business Use.

(c) No more than the lesser of five percent of the sum of the Sale Proceeds and investment earnings thereon or \$5,000,000 will be used, directly or indirectly, to make or finance loans to any persons. The Village acknowledges that, for purposes of the preceding sentence, Gross Proceeds used to pay costs of issuance and other common costs (such as capitalized interest and fees paid for a qualified guarantee or qualified hedge) or invested in a reserve or replacement fund must be ratably allocated among all the purposes for which Gross Proceeds are being used.

(d) No user of the Project other than a state or local governmental unit will use more than five percent of the Project, in the aggregate, on any basis other than the same basis as the general public.

6.2. *I.R.S. Form 8038-G.* The information contained in the Information Return for Tax-Exempt Governmental Obligations, Form 8038-G, is true and complete. The Village will file Form 8038-G (and all other required information reporting forms) in a timely manner.

6.3. *Bank Qualification.* (a) The Village hereby designates each of the Bonds as a “qualified tax-exempt obligation” for the purposes and within the meaning of Section 265(b)(3) of the Code. In support of such designation, the Village hereby certifies that (i) none of the Bonds will be at anytime a “private activity bond” (as defined in Section 141 of the Code) other than a “qualified 501(c)(3) bond” (as defined in Section 145 of the Code), (ii) as of the date hereof in calendar year 2007, the Village has not issued any tax-exempt obligations of any kind other than the Bonds nor have any tax-exempt obligations of any kind been issued on behalf of the Village and (iii) not more than \$10,000,000 of obligations of any kind (including the Bonds) issued by or on behalf of the Village during calendar year 2007 will be designated for purposes of Section 265(b)(3) of the Code.

(b) The Village is not subject to Control by any entity, and there are no entities subject to Control by the Village.

(c) On the date hereof, the Village does not reasonably anticipate that for calendar year 2007 it will issue any Section 265 Tax-Exempt Obligations (other than the Bonds), or that any Section 265 Tax-Exempt Obligations will be issued on behalf of it. “*Section 265 Tax-Exempt Obligations*” are obligations the interest on which is excludable from gross income of the owners thereof under Section 103 of the Code, *except for* private activity bonds other than qualified 501(c)(3) bonds, both as defined in Section 141 of the Code. The Village will not issue or permit the issuance on behalf of it or by any entity subject to Control by the Village (which may hereafter come into existence) of Section 265 Tax-Exempt Obligations (including the Bonds) that exceed the aggregate amount of \$10,000,000 during calendar year 2007 unless it first obtains an opinion of Bond Counsel to the effect that such issuance will not adversely affect the treatment of

the Bonds as “qualified tax-exempt obligations” for the purposes and within the meaning of Section 265(b)(3) of the Code.

7.1. Termination; Interest of Village in Rebate Fund. The terms and provisions set forth in this Section shall terminate at the later of (a) 75 days after the Bonds have been fully paid and retired or (b) the date on which all amounts remaining on deposit in the Rebate Fund, if any, shall have been paid to or upon the order of the United States and any other payments required to satisfy the Rebate Provisions of the Code have been made to the United States. Notwithstanding the foregoing, the provisions of paragraph 4.3 hereof shall not terminate until the sixth anniversary of the date the Bonds are fully paid and retired, and the provisions of paragraphs 4.4(c) and 7.9 hereof shall not terminate until the third anniversary of the date the Bonds are fully paid and retired.

7.2. Separate Issue. Since a date that is 15 days prior to the date of sale of the Bonds by the Village to the Purchaser, neither the Village nor any member of the same Controlled Group as the Village has sold or delivered any tax-exempt obligations other than the Bonds that are reasonably expected to be paid out of substantially the same source of funds as the Bonds. Neither the Village nor any member of the same Controlled Group as the Village will sell or deliver within 15 days after the date of sale of the Bonds any tax-exempt obligations other than the Bonds that are reasonably expected to be paid out of substantially the same source of funds as the Bonds.

7.3. No Sale of the Project. (a) Other than as provided in the next sentence, neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the earlier of (i) the last date of the reasonably expected economic life to the Village of the property (determined on the date of issuance of the Bonds) or (ii) the last maturity date of the Bonds. The Village may dispose of personal property in the ordinary course of an established government program prior to the earlier of (i) the last date of the reasonably expected economic life to the Village of the property (determined on the date of issuance of the Bonds) or (ii) the last maturity of the Bonds, provided: (A) the weighted average maturity of the Bonds financing the personal property is not greater than 120 percent of the reasonably expected actual use of that property for governmental purposes; (B) the Village reasonably expects on the issue date that the fair market value of that property on the date of disposition will be not greater than 25 percent of its cost; (C) the property is no longer suitable for its governmental purposes on the date of disposition; and (D) the Village deposits amounts received from the disposition in a commingled fund with substantial tax or other governmental revenues and the Village reasonably expects to spend the amounts on governmental programs within six months from the date of the commingling.

(b) The Village acknowledges that if Bond-financed property is sold or otherwise disposed of in a manner contrary to (a) above, such sale or disposition

may constitute a “deliberate action” within the meaning of the Regulations that may require remedial actions to prevent the Bonds from becoming private activity bonds. The Village shall promptly contact Bond Counsel if a sale or other disposition of bond-financed property is considered by the Village.

7.4. *Purchase of Bonds by Village.* The Village will not purchase any of the Bonds except to cancel such Bonds.

7.5. *First Call Date Limitation.* The period between the date of Closing and the first call date of the Bonds is not more than 10-1/2 years.

7.6. *Registered Form.* The Village 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 be exempt from federal income taxation under laws in force at the time the Bonds are delivered. In this connection, the Village agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form.

7.7. *First Amendment.* The Village acknowledges and agrees that it will not use, or allow the Project to be used, in a manner which is prohibited by the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America or by any comparable provisions of the Constitution of the State of Illinois.

7.8. *Future Events.* The Village acknowledges that any changes in facts or expectations from those set forth herein may result in different Yield restrictions or rebate requirements from those set forth herein. The Village shall promptly contact Bond Counsel if such changes do occur.

7.9. *Record Retention.* The Village agrees to keep and retain or cause to be kept and retained sufficient records to support the continued exclusion of the interest paid on the Bonds from federal income taxation and to show that all tax-exempt Bond related returns submitted to the Internal Revenue Service are correct. Such records shall include, but are not limited to, basic records relating to the Bond transaction (including this Ordinance and Bond Counsel opinion); documentation evidencing the expenditure of Bond proceeds; documentation evidencing the use of Bond-financed property by public and private sources (*i.e.*, copies of management contracts and research agreements); documentation evidencing all sources of payment or security for the Bonds; and documentation pertaining to any investment of Bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts and rebate calculations). Such records shall be kept for as long as the Bonds are outstanding, plus three (3) years after the later of the final redemption date of the Bonds or the final redemption date of any obligations or series of obligations issued to refund all or a portion of the Bonds.

7.10. Permitted Changes; Opinion of Bond Counsel. The Yield restrictions contained in paragraph 5.2 hereof or any other restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any exemption for the purpose of federal income taxation to which interest on the Bonds is otherwise entitled and the Village receives an opinion of Bond Counsel to such effect. Unless the Village otherwise directs, such opinion shall be in such form and contain such disclosures and disclaimers as may be required so that such opinion will not be treated as a covered opinion or a state or local bond opinion for purposes of Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230) 31 CFR Part 10.

7.11. Successors and Assigns. The terms, provisions, covenants and conditions of this Section shall bind and inure to the benefit of the respective successors and assigns of the Board and the Village.

7.12. Expectations. The Board has reviewed the facts, estimates and circumstances in existence on the date of issuance of the Bonds. Such facts, estimates and circumstances, together with the expectations of the Village as to future events, are set forth in summary form in this Section. Such facts and estimates are true and are not incomplete in any material respect. On the basis of the facts and estimates contained herein, the Village has adopted the expectations contained herein. On the basis of such facts, estimates, circumstances and expectations, it is not expected that Sale Proceeds, investment earnings thereon or any other moneys or property will be used in a manner that will cause the Bonds to be arbitrage bonds within the meaning of the Rebate Provisions and the Regulations. Such expectations are reasonable and there are no other facts, estimates and circumstances that would materially change such expectations.

The Village also agrees and covenants with the purchasers and holders of the Bonds 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 Bonds and affects the tax-exempt status of the Bonds.

The Board hereby authorizes the officials of the Village responsible for issuing the Bonds, the same being the President, Clerk and Treasurer of the Village, to make such further covenants and certifications as may be necessary to assure that the use thereof will not cause the Bonds to be arbitrage bonds and to assure that the interest on the Bonds will be exempt from federal income taxation. In connection therewith, the Village and the Board 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 Bonds 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 Bonds; (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 22. Bond Registrar Covenants. If requested by the Bond Registrar, the President and Village Clerk are authorized to execute the Bond Registrar's standard form of agreement between the Village and the Bond Registrar with respect to the obligations and duties of the Bond Registrar hereunder. Subject to modification by the express terms of any such agreement, such duties shall include the following:

(a) to act as bond registrar, authenticating agent, paying agent and transfer agent as provided herein;

(b) to maintain a list of Bondholders as set forth herein and to furnish such list to the Village upon request, but otherwise to keep such list confidential to the extent permitted by law;

(c) to give notice of redemption of Bonds as provided herein;

(d) to cancel and/or destroy Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer;

(e) to furnish the Village at least annually a certificate with respect to Bonds cancelled and/or destroyed; and

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

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

Section 23. Continuing Disclosure Undertaking. The President is hereby authorized, empowered and directed to execute and deliver a Continuing Disclosure Undertaking under Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "*Continuing Disclosure Undertaking*"). When the Continuing Disclosure Undertaking is executed and delivered on behalf of the Village as herein provided, the Continuing Disclosure Undertaking will be binding on the Village and the officers, employees and agents of the Village, and the officers, employees and agents of the Village are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this Ordinance, the sole remedy for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek mandamus or specific performance by court order to cause the Village to comply with its obligations under the Continuing Disclosure Undertaking.

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

Section 25. 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 26. 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 27. Effective Date. This Ordinance shall be effective immediately upon adoption.

Passed by the President and Board of Trustees on April 10, 2007.

AYES: 5-Marquardt, Schultz, Schwartz, Hebda, Byrne

NAYS: 0-None

ABSENT: 2-Koch, Williams

RECORDED in the Village Records on April 10, 2007.

APPROVED: April 10, 2007.

President

ATTEST:

Village Clerk

[SEAL]