

MEMORANDUM

TO: Mayor Prussing and Members, Urbana City Council

FROM: City Comptroller

RE: Borrowing for Boneyard Project

DATE: September 21, 2012

As had been indicated previously when the boneyard improvement project was being approved, the TIF2 Fund will not have the required monies saved to pay for this project. Therefore, included in the improvement project plan is a proposed borrowing of \$7.8 million.

I sent a request for proposals to 8 local banking institutions in Champaign and Urbana in September (before the engineer's estimates come in above the initial proposed amount). Three Urbana banks responded, Heartland, Busey and JP Morgan Chase. The other 5 indicated that they either not looking for any tax-exempt income or the amount was too large for their capacity. At that time, Busey and Chase submitted virtual identical proposals at 2%.

This debt will be "bank qualified" for IRS reporting, meaning that the bank will not have to pay any taxes on the interest income on the bonds. This status means a little more net income to the bank after taxes. This is one of the reasons this type of lending is attractive to banks.

While the bonds are entitled general obligation, monies should be available in the TIF2 fund to pay all the future debt service and I believe no levy will ever be required. They are structured this way to provide the best possible security for the issuer and therefore the lowest possible interest rate.

I have recently sent out a new request for proposals to the 3 banks that previously indicated they were interested. The borrowing will have 4 draws (timed to coincide with cash needs for the project): \$1.2 million on 2/1/13, \$2 million on 5/1/13, \$2 million on 8/1/13 and \$2 million on 11/1/13. The borrowing is structured in this manner such that the City will not lose money on the arbitrage (difference between interest being paid and the interest received on the money that is invested until needed). The bonds will be repaid in 9 equal installments of approximately \$928,270, with the first payment being due on 1/1/14 and the last payment due 1/1/22. (TIF2 expires in 2022). The final amount of annual debt service may be slightly different. I have attached a cash flow worksheet for TIF2. While the debt service is a significant amount and will significantly limit other possible future projects, the worksheet shows that TIF2 should not have any difficulty paying for this future debt service. The worksheet does not assume any additional revenues from the boneyard project although it is certainly hoped that this occurs.

The City has engaged Ken Beth to be the bond counsel and ensure that all necessary documents and procedures are followed to be in compliance with all IRS rules and laws. Ken is very experienced in

these types of debt issuances and has served as bond counsel for most if not all of previous Urbana debt issues.

On this second request for proposals, I received proposals from Busey and JP Morgan Chase. JP Morgan Chase submitted the lowest cost proposal with a net interest rate (including certain fees) of 1.44%. Busey Bank's proposal was 1.84%. Therefore, we are recommending borrowing these funds from JP Morgan Chase Bank.

We are desiring to have this borrowing approved prior to December 31, 2012. The reason for this is the City is limited to \$10 million/year in this type of bank qualified debt. The City has been approached by Clark-Lindsey to see if the City would entertain giving our bank qualified borrowing ability to assist them in doing an improvement to their facility during next calendar year. I do not know any of the details of the Clark-Lindsey project nor do I assume that the City would or would not be interested. However, if we are not able to approve the \$7.8 million borrowing before 12/31, then it would have to be done in January 2013, thereby meaning the Clark-Lindsey borrowing would not be available to them. By approving before year-end, the City has at least preserved the option of approving the Clark-Lindsey debt.

Recommendation. Approval of the attached ordinance.

ORDINANCE NO. 2012-12-109

AN ORDINANCE OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS, SERIES 2012, PROVIDING THE DETAILS OF SUCH BONDS AND FOR A LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON SUCH BONDS, AND RELATED MATTERS

WHEREAS, the City of Urbana, Champaign County, Illinois (the “**Issuer**”), is a home rule unit pursuant to the provisions of Section 6 (Powers of Home Rule Units) of Article VII (Local Government) of the Constitution of the State of Illinois and accordingly may exercise any power and perform any function pertaining to its government and affairs, including as supplemented and amended under and as provided by the Illinois Municipal Code (Section 5/1-1-1 *et seq.* of Chapter 65 of the Illinois Compiled Statutes, as supplemented and amended, and by the Bond Authorization Act, the Registered Bond Act, the Bond Replacement Act, the Local Government Defeasance of Debts Law, and the Local Government Debt Reform Act, collectively, the “**Act**”); and

WHEREAS, the City Council of the Issuer (the “**Corporate Authorities**”) hereby determines that it is essential to undertake the construction and installation of a Boneyard Creek beautification project from Griggs Street to Broadway Avenue, including related streetscape improvements to Race Street and Broadway Avenue, and related facilities, improvements and costs (collectively, the “**Project**”); and

WHEREAS, the Corporate Authorities have heretofore and it hereby is determined that General Obligation Bonds, Series 2012 (the “**Bonds**” or “**Series 2012 Bonds**” or “**Series 2012**”) , are to be issued to finance the Project and to pay related costs, and under and pursuant to this ordinance it is necessary and desirable that the Issuer issue the Bonds; and

WHEREAS, the Issuer received responses to a Request for Proposals (the “**RFP**”) related to the sale and purchase of the Bonds, and proposes to accept the Credit Facility Proposal dated December 10, 2012 in response to the RFP as a Bond purchase contract (when fully executed to constitute the “**Bond Purchase Agreement**”) with JPMorgan Chase Bank, National Association, Chicago, Illinois (the “**Purchaser**”) concerning the sale and purchase of the Bonds, and the Bonds are to be substantially as described in the Issuer’s RFP in connection with the offering of the Bonds for negotiable sale; and

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

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NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, as follows:

Section 1. Certain Definitions. Unless the context or use indicates another or different meaning, certain words and terms used in this ordinance shall have the meanings set forth above in the preambles and recitals hereto and from place to place herein.

(a) Certain words and terms shall have the meanings set forth in this Section 1, as follows:

“Base Rate” means the higher of (a) the Prime Rate and (b) the sum of 2.50% plus the quotient of (i) LIBOR on the immediately preceding Business Day for U.S. Dollar deposits with a maturity equal to one month, divided by (ii) one minus the Reserve Requirement.

“Bona fide debt service fund” means a fund, which may include proceeds of an issue, that (1) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each bond year; and (2) Is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the principal and interest payments on the issue for the immediately preceding bond year.

“Bond Order” means a certificate signed by the Designated Officials and attested by the City Clerk and under the seal of the Issuer, setting forth and specifying details of the Bonds,

including but not limited to, as the case may be, dated date, final principal amount, maturity schedule and interest rates, payment dates, Capitalized Interest, tax levies and the final maturity schedule.

“Bond Purchase Agreement” shall have the meaning set forth above in the recitals in the preamble to this ordinance.

“Bond Registrar” means JPMorgan Chase Bank, National Association, through its designated office in Chicago, Illinois, as Bond Registrar in connection with the Bonds, and its successors and assigns.

“Bonds”, “Series 2012 Bonds” and “Series 2012” each means the Issuer’s General Obligation Bonds, Series 2012, authorized under and pursuant to this ordinance, including in installment form and as one or more instruments.

“Capitalized Interest” or “capitalized interest” means, if any, proceeds of the Bonds, or other funds, to be applied to pay certain initial interest on the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and includes applicable Income Tax Regulations.

“Corporate Authorities” means the Issuer’s City Council.

“Default Rate” means the Base Rate plus four percent (4.0%).

“Designated Officials” means the Mayor and the City Comptroller.

“Determination of Taxability” means any determination, decision or decree by the Commissioner of the Internal Revenue Service, or any District Director of the Internal Revenue Service or any court of competent jurisdiction, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when the Issuer files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred; or

(b) the effective date of any federal legislation enacted after the date of this ordinance or promulgation of any income tax regulation or ruling by the Internal Revenue Service that causes an Event of Taxability after the date of this ordinance; or

(c) if upon sale, lease or other deliberate action taken with respect to the property financed with proceeds of the Bonds within the meaning of Treas. Reg. § 1.141-2(d), the Purchaser fails to receive an opinion of Bond Counsel affirming the excludability from gross income of interest owed on the Bonds; or

(d) on the date when the Purchaser notifies the Issuer that it has received a written opinion by an attorney or firm of attorneys of recognized standing on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within

one hundred eighty (180) days after receipt by the Issuer of such notification from the Bondholder, the Issuer shall deliver to the Bondholder a ruling or determination letter issued to or on behalf of the Issuer by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(e) on the date when the Issuer shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the Issuer, or upon any review or audit of the Issuer or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

on that date when the Issuer shall receive notice from the Purchaser that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Bondholder's interest on the Bonds due to the occurrence of an Event of Taxability.

“Event of Default” shall have the meaning set forth in the Bond Purchase Agreement.

“Event of Taxability” means any act, omission or event which results in the interest paid or payable on any Bond includable for federal income tax purposes in the gross income of any owner.

“Governmental Bonds” or **“government bonds”** means that the referenced obligation would qualify as tax-exempt non-private activity bonds under Sections 103 and 141 *et seq.* of the Code.

“Government Securities” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of the United States of America and all securities and obligations, the prompt payment of principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America.

“Independent” when used with respect to any specified person means such person who is in fact independent and is not connected with the Issuer as an officer, employee, underwriter, or person performing a similar function; and whenever it is provided in this ordinance that the opinion or report of any Independent person shall be furnished, such person shall be appointed by the Issuer, and such opinion or report shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

“Levied Taxes” means the receipts, if any are required, derived from the levy of general taxes without limit as to rate or amount as provided for in Section 8 of this ordinance securing and to pay the principal of and interest on the Bonds.

“LIBOR” means, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for U.S. dollar deposits for a one-month period, which

appears on the Reuters Screen LIBOR01 Page (or any successor) as of 11:00 a.m., London time, on the date of determination, as applicable; *provided* that, if any such rate is not reported on a London Business Day, “LIBOR” shall mean the rate as determined by the Purchaser from another recognized source or interbank quotation. Each determination of the LIBOR by the Purchaser shall be conclusive absent manifest error.

“**Maximum Annual Debt Service**” means an amount of money equal to the highest future principal and interest requirement of all Outstanding Bonds required by this ordinance in any Bond Year (i.e., each January 2 to the next January 1 period), including and subsequent to the Bond Year in which the computation is made; and any Outstanding Bonds required to be redeemed pursuant to mandatory redemption shall be treated as falling due on the date required to be redeemed (except in the case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Bonds.

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

“**Outstanding Bonds**” means Bonds which are outstanding and unpaid; provided, however, such term shall not include Bonds (a) which have matured and for which monies are on deposit with proper paying agents or are otherwise sufficiently available to pay all principal thereof and interest thereon; or (b) the provision for payment of which has been made by the Issuer pursuant to this ordinance.

“**Paying Agent**” means JPMorgan Chase Bank, National Association, through its designated payment office in Chicago, Illinois, as Paying Agent in connection with the Bonds, and its successors and assigns.

“**Pledged Account**” shall have the meaning in Section 10(a).

“**Prime Rate**” means, for any day, the rate of interest per annum announced from time to time by the Purchaser in its sole discretion as its prime rate. The Prime Rate shall change on the day on which such a change is announced by the Purchaser. The Prime Rate is not necessarily announced to the public or the lowest rate charged to any corporate customer by the Purchaser.

“**Project**” shall have the meaning set forth above in the recitals in the preamble to this ordinance.

“**Purchaser**” shall have the meaning set forth above in the recitals in the preamble to this ordinance.

“**Qualified Investments**” means investments in Government Securities and such other investments as may from time to time be permissible under the laws of the State of Illinois.

“**Reserve Requirement**” means, for any day, the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental,

marginal and emergency reserve requirements) with respect to Eurocurrency funding (currently referred to as “*Eurocurrency Liabilities*” in Regulation D of the Federal Reserve Board); *provided* that so long as no such percentage is in effect, the Reserve Requirement shall be zero.

“**Rule 15c2-12**” means Rule 2-12 promulgated by the Securities and Exchange Commission.

“**Statutory Tax Rate**” means, as of any date of determination, the highest federal income tax rate (expressed in decimals) applicable in each tax year on the taxable income of corporations pursuant to Section 11 of the Code, without regard to any minimum additional tax provision or provisions, which on the date hereof is 0.35.

“**Taxable**” or “**taxable**” with respect to an obligation means that the obligation is not tax-exempt.

“**Taxable Equivalent Rate**” means, as of any date of determination, the quotient obtained by dividing the then-current interest rate on the Bonds by (1.00 minus the Statutory Tax Rate) and expressing such quotient as an interest rate per annum (rounded to two decimals).

“**Tax-Exempt**” or “**tax-exempt**” with respect to an obligation means that the interest on such obligation is not included in gross income for Federal income tax purposes.

“**Yield**” or “**yield**” means yield computed under Section 1.148-4 of the Income Tax Regulations for the Bonds, and yield computed under Section 1.148-5 of the Income Tax Regulations for an investment.

“**Yield Reduction Payments**” or “**yield reduction payments**” shall have the meaning in Section 1.148-5(c) of the Income Tax Regulations.

“**Yield restricted**” or “**yield restriction**” with reference to an obligation means that the yield on such obligation is restricted to the Yield on the Bonds.

(b) Any certificate, letter or opinion required to be given in connection herewith shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth. Reference herein to supplemental agreements, certificates, demands, requests, approvals, consents, notices and the like shall mean that such shall be only written whether or not a writing is specifically mentioned in the context of use. In connection with the foregoing and other actions to be taken under this ordinance, the Issuer’s Mayor (or his or her or their designee, including the City Comptroller), unless applicable law requires action by the Issuer’s Corporate Authorities, shall have the power and authority to make or grant or do all things, supplemental agreements, certificates, requests, demands, approvals, consents, notices and other actions required or described in this ordinance for and on behalf of the Issuer and with the effect of binding the Issuer in that connection. In connection herewith concerning written direction or authorization in respect of any advance/draw of funds on the Bonds or the investment of any funds, notwithstanding any provision hereof to the contrary, such direction or authorization orally by telephone, other telecommunication or otherwise, confirmed in writing, shall be appropriate and is hereby approved. Failure of the investing agent to actually receive such written confirmation shall not render invalid or ineffective any such oral direction or authorization.

Section 2. Findings. The Corporate Authorities hereby find that the matters set forth in the preambles and recitals hereto are true and correct and incorporate them herein by this reference and that it is necessary and in the best interests of the Issuer that the Issuer finance the Project and that the Bonds be issued for such purpose. Proceeds of the Bonds are hereby directed to be applied for such purpose. Pursuant to Section 6 (Powers of Home Rule Units) of Article VII (Local Government) of the Constitution of the State of Illinois, applicable law inconsistent with or in conflict with this ordinance shall not apply to this ordinance.

Section 3. Bond Details. There shall be borrowed for and on behalf of the Issuer the principal amount of up to \$7,800,000 (to be evidenced by the Bonds) to finance the Project, and related costs.

(a) **General.** The Bonds shall be issued in the aggregate principal amount of up to \$7,800,000 and each shall be designated: **“General Obligation Bond, Series 2012”**. The Bonds shall be dated on such date or dates, not later than December 31, 2012, as shall be set out in the Bond Order, shall also bear the date of authentication thereof and be endorsed by the Registrar with respect to each advance or draw thereon. All such advances or draws shall be made upon the request of the City Comptroller of the City at the times and in the amounts as follows:

<u>Date</u>	<u>Principal Advance/Draw(\$)</u>	<u>Principal Balance (\$)</u>
12/20/2012	\$600,000	\$600,000
02/01/2013	\$1,200,000	\$1,800,000_
05/01/2013	\$2,000,000	\$3,800,000
08/01/2013	\$2,000,000	\$5,800,000
11/01/2013	\$2,000,000	\$7,800,000

The Bonds shall be in fully registered form, shall be in a denomination of \$5,000 each and authorized integral multiples thereof, shall be numbered consecutively in such fashion as shall be determined by the Bond Registrar, and shall mature and become due and payable on January 1 of the years (not later than 2022) and in the amounts and bearing interest at the rates as set forth in the Bond Order, provided, however, that no Bond shall bear interest at a rate percent per annum which is in excess of 1.8 percent (1.8%), unless an Event of Default or Determination of Taxability shall occur in which event the Bonds shall bear interest as follows:

- (i) so long as an Event of Default has occurred and is continuing, the interest rate shall be the Default Rate from the date of the occurrence of such Event of Default until the Event of Default has been cured; and
- (ii) if a Determination of Taxability occurs, the interest rate shall be automatically adjusted to the Taxable Equivalent Rate.

The Bonds shall bear interest from the date of each advance or draw, or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of the Bonds is paid, such interest (computed upon the basis of a 360-day year of twelve 30-day months or as otherwise specified in the Bond Order) being payable on the first (1st) day of January and July of each year, commencing on January 1, 2014 or otherwise the date as shall be set forth in a

Bond Order. Principal of and premium (if any) on each Bond shall be paid in lawful money of the United States of America from Issuer funds, at the designated payment office of the Paying Agent. Interest on each Bond shall be paid, as provided in this ordinance, by check or draft of the Paying Agent on Issuer funds to the person in whose name such Bond is registered at the close of business on the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding the interest payment date.

Issuer funds for principal of and interest on each Bond shall be payable by the City to the Paying Agent by wire transfer or a direct debit of an account of the Issuer.

(b) Execution. The Bonds shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Issuer and shall be signed by the manual or duly authorized manual or facsimile signatures of the Mayor and City Clerk of the Issuer, as they shall determine, and in case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

(c) Authentication. All Bonds shall have thereon a certificate of authentication substantially in the form therefor hereinafter set forth duly executed by the Bond Registrar as authenticating agent of the Issuer 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.

Section 4. Redemption. The Bonds shall not be subject to optional redemption prior to maturity.

Section 5. Registration of Bonds and Book-Entry. The Bonds shall be negotiable, subject to the provisions for registration of transfer contained herein.

The Issuer shall cause books (the “**Bond Register**”) for the registration and for the transfer of the Bonds as provided in this ordinance to be kept at the principal office of the Bond Registrar, which is hereby constituted and appointed the Bond Registrar of the Issuer. The Issuer is authorized to prepare, and the Bond Registrar shall keep custody of, multiple Bond blanks executed by the Issuer for use in the issuance from time to time of the Bonds and in the transfer and exchange of Bonds.

Upon surrender for transfer of any Bond at the principal office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner’s attorney duly authorized in writing, the Issuer 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 series and maturity of authorized denominations, for a like aggregate principal amount. Any fully registered Bond or Bonds may be exchanged at the office of the Bond Registrar for a like aggregate principal amount of Bond or Bonds of the same series and maturity of other authorized denominations. The execution by the Issuer 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.

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

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, premium (if any) or interest on any Bond shall be made only to or upon the order of the registered owner thereof or such registered owner's 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 Issuer 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 exchanged in the case of the issuance of a Bond or Bonds for the outstanding portion of a Bond surrendered for redemption.

Section 6. General Obligation Bonds. The Bonds are and constitute general obligations of the Issuer to which are pledged the full faith and credit of the Issuer, including a levy of direct annual taxes (Levied Taxes) without limit as to rate or amount sufficient to pay when due the principal thereof and interest thereon. The Issuer reserves the right to timely fund the Pledged Account in Section 10(a) in order to abate the Levied Taxes, such funding to be from any designated funds, including without limitation any tax increment financing revenues derived from the Downtown Urbana Tax Increment Redevelopment Project Area No. 2 (the "**TIF Revenues**").

Section 7. Form of Bonds. With appropriate completion of blanks and other modifications, including, as the case may be, the inclusion of abbreviations with respect to the status of registered ownership and the reordering of paragraphs, the Bonds shall be in substantially the form as follows:

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

(Form of Bond)

UNITED STATES OF AMERICA
STATE OF ILLINOIS
THE COUNTY OF CHAMPAIGN
CITY OF URBANA
GENERAL OBLIGATION BOND, SERIES 2012

NUMBER: FINAL MATURITY DATE: INTEREST RATE:* DATED DATE: MAXIMUM PRINCIPAL AMOUNT
1-[Installment]

*Subject to adjustment as herein provided.

Registered Owner:

KNOW ALL BY THESE PRESENTS, that the City of Urbana, Champaign County Illinois (the “**Issuer**”), a home rule municipality and political subdivision of the State of Illinois, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided in annual principal installments on January 1 in each year as follows:

<u>Year</u>	<u>Principal Amount(\$)</u>	<u>Interest Rate(%)</u>
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		

together with interest (computed on the basis of a [360-day year of twelve 30-day months]) on such Principal Amount from the later of the date of each advance or draw as endorsed herein 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, unless an Event of Default or Determination of Taxability shall occur in which event the Bonds shall bear interest as follows: (i) so long as an Event of Default has occurred and is continuing, the interest rate shall be the Default Rate from the date of the occurrence of such Event of Default until the Event of Default has been cured; and (ii) if a Determination of Taxability occurs, the interest rate shall be automatically adjusted to the Taxable Equivalent Rate (as all such capitalized terms are defined in the Bond Ordinance, as hereinafter described). Such interest shall be payable on January 1 and July 1 of each year, commencing January 1, 2014 until such Principal Amount is paid or duly provided for. The principal of and redemption premium, if any, due on this Bond are payable in lawful money of the United States of America upon presentation hereof at the

designated payment office of JPMorgan Chase Bank, National Association, in Chicago, Illinois, as paying agent (including its successors, the **"Paying Agent"**).

Payment of interest shall be made to the Registered Owner hereof as shown on the registration books of the Issuer maintained by JPMorgan Chase Bank, National Association, in Chicago, Illinois, as Bond Registrar (including its successors, the **Bond Registrar"**), at the close of business on the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding the interest payment date and shall be paid by check or draft of the Paying Agent, payable in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Bond Registrar.

This Bond and each Bond of the series of which it forms a part (the **"Bonds"**) are issued pursuant to the Constitution and laws of the State of Illinois, including by the power and authority of the Issuer as a home rule unit under Section 6 (Powers of Home Rule Units) of Article VII (Local Government) of the Constitution of the State of Illinois, as supplemented and amended, including by the Illinois Municipal Code and the Local Government Debt Reform Act, and the principal of and interest and any premium on the Bonds are payable from unlimited ad valorem taxes duly levied without limit as to rate or amount on all of the taxable property in the City of Urbana, Illinois (the **"Levied Taxes"**). The Bonds are being issued to finance facilities and improvements for the construction and installation of a Boneyard Creek beautification project from Griggs Street to Broadway Avenue, including related streetscape improvements to Race Street and Broadway Avenue and related facilities, improvements and costs, as authorized by applicable law and as more fully described in proceedings adopted by the Issuer's City Council (the **"Corporate Authorities"**) in Ordinance No. _____ authorizing the issuance of the Bonds, adopted by the Corporate Authorities on the ____ day of _____, 2012 (the **"Bond Ordinance"**). For the prompt payment of the Bonds, both principal and interest as aforesaid, at maturity, the full faith and credit of the Issuer, including the power to levy taxes without limit as to rate or amount, are hereby irrevocably pledged.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond at the designated payment office of the Bond Registrar in Urbana, 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 registered owner duly authorized in writing, the Issuer 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 Bond Registrar shall not be required to transfer or exchange any Bond during the period from the fifteenth (15th) day of the calendar month next preceding any interest payment date on such Bond and ending on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for prepayment has been mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of prepayment and redemption of any Bonds.

The Issuer, the Paying Agent and the Bond Registrar may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of

principal hereof, premium, if any, and interest due hereon and for all other purposes and neither the Issuer nor the Paying Agent or Bond Registrar shall be affected by any notice to the contrary.

The Bonds shall not be subject to redemption prior to maturity.

[Insert as applicable: 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.]

The rights and obligations of the Issuer and of the registered owners of Bonds of the series of which this Bond is one may be modified or amended at any time with the consent of the Issuer and of the registered owners of not less than two-thirds (2/3rds) in principal amount of outstanding Bonds in the manner, to the extent, and upon the terms provided in the Bond Ordinance, provided that no such modification or amendment shall extend the maturity or reduce the interest rate on or otherwise alter or impair the obligation of the Issuer to pay the principal, interest or redemption premium, if any, from the designated sources therefor, in the manner at the time and place and at the rate and in the currency provided therein of any Bond without the express consent of the registered owner of such Bond, or permit the creation of a preference or priority of any Bond or Bonds over any other Bond or Bonds, or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, all as more fully set forth in the Bond Ordinance.

The Bonds are issued as “**qualified tax-exempt obligations**” under Section 265(b)(3) the Internal Revenue Code of 1986, as amended.

The Issuer, the Bond Registrar and the Paying Agent 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 the Issuer, the Bond Registrar and the Paying Agent shall not be affected by any notice to the contrary.

It is hereby certified and recited that all conditions, acts and things required by the constitution and laws of the State of Illinois to exist or to be done precedent to and in the issuance of this Bond, have existed and have been properly done, happened and been performed in regular and due form and time as required by law; that the indebtedness of the Issuer, represented by the series of Bonds of which this Bond is one, and including all other indebtedness of the Issuer, howsoever evidenced or incurred, does not exceed any constitutional or statutory or other lawful limitation; and that provision has been made for the levy of general taxes without limit as to rate or amount (the “**Levied Taxes**”) on all taxable property within the Issuer’s corporate limits to pay when due the principal of and interest on the series of Bonds of which this Bond is one.

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. Notwithstanding any other provision hereof, at any time that the Bonds are registered in the name of a securities depository or its nominee, the manner and timing of payment of Bonds shall be governed by the agreement entered into with such securities depository.

IN WITNESS WHEREOF the City of Urbana, Champaign County, Illinois, by its City Council, has caused this Bond to be executed by the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its City

Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the Dated Date identified above.

Attest:

**CITY OF URBANA
CHAMPAIGN COUNTY, ILLINOIS**

(SEAL)

By: _____
City Clerk

By: _____
Mayor

Bond Registrar JPMorgan Chase Bank, National Association
Paying Agent: Chicago, Illinois

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This Bond is described in the within mentioned Bond Ordinance and is the General Obligation Bonds, Series 2012, having a Dated Date of _____, 2012, of the City of Urbana, Champaign County, Illinois.

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Chicago, Illinois, as Bond Registrar

By _____
Authorized Officer

ASSIGNMENT

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

(Name, Address and Tax Identification of Assignee)

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

Dated: _____

Signature Guarantee By: _____

(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.1 Ad-15))

NOTICE: The signature to this transfer and 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.

UNITED STATES OF AMERICA
STATE OF ILLINOIS
THE COUNTY OF CHAMPAIGN
CITY OF URBANA
GENERAL OBLIGATION BOND, SERIES 2012

Schedule of Advances / Draws

<u>Date</u>	<u>Principal Advance/Draw(\$)</u>	<u>Principal Balance (\$)</u>	<u>Signature of Bond Registrar</u>
12/20/2012	\$600,000	\$600,000	_____
02/01/2013	\$1,200,000	\$1,800,000_	_____
05/01/2013	\$2,000,000	\$3,800,000	_____
08/01/2013	\$2,000,000	\$5,800,000	_____
11/01/2013	\$2,000,000	\$7,800,000	_____

Section 8. Tax Levy. For the purpose of providing funds required to pay the interest on the Bonds promptly when and as the same falls due, and to pay and discharge the principal thereof at maturity, there is hereby levied upon all of the taxable property within the City of Urbana, Illinois, in the years for which any of the Bonds are outstanding, a direct annual tax sufficient for the purpose; and there are hereby levied on all of the taxable property in the City of Urbana, Illinois, in addition to all other taxes, with a reasonable allowance for delinquencies under Section 16 of the Local Government Debt Reform Act, the direct annual taxes (constituting the Levied Taxes) in the amounts in each levy year commencing not before 2012 and ending not later than the levy year 2020, as provided in the Bond Order.

Interest or principal on the Bonds coming due at any time when there are insufficient funds on hand from the Levied Taxes to pay the same shall be paid promptly when due from current funds on hand (and not subject to a prior pledge) in advance of the collection of the Levied Taxes herein levied; and when the Levied Taxes shall have been collected, reimbursement shall be made to such funds in the amount so advanced.

(a) Whenever funds from any lawful source are made available for the purpose of paying any principal of or interest on the Bonds so as to enable the abatement of the taxes levied herein for the payment of such principal and interest, such funds shall be initially credited to the Pledged Account (defined in Section 10(a)), and the Corporate Authorities shall, if at all, from time to time, by proper proceedings, (i) direct the deposit of such funds into the Principal and Interest Account (2012) such that the Principal and Interest Account (2012) has on deposit or is credited with not in excess at any time of an amount constituting a **“bona fide debt service fund”** under Section 1.148-1(b) of the Income Tax Regulations and (ii) further shall direct or through appropriate officers certify the abatement of the applicable taxes levied by the amount so deposited. A certified copy of any such certificate of abatement and of any such proceedings abating taxes shall be filed with the County Clerk of The County of Champaign, Illinois, in a timely manner to effect such abatement.

(b) The Issuer covenants and agrees with the purchasers and registered owners of the Bonds that so long as any of the Bonds remain outstanding and unless and to the extent that moneys are then irrevocably on deposit in the Principal and Interest Account (2012), the Issuer will take no action or fail to take any action which in any way would adversely affect the ability of the issuer to levy and collect the foregoing tax levy. The Issuer and its officers will comply with all present and future applicable laws in order to assure that the Levied Taxes may be levied, extended, collected and deposited into such Principal and Interest Account (2012), all as provided herein. Levied Taxes when received by or on behalf of the Issuer shall be directly deposited into the Principal and Interest Account (2012).

Section 9. Filing with County Clerk. Promptly, as soon as this ordinance becomes effective and prior to issuance of any Bonds, a copy of this ordinance, certified by the Issuer’s City Clerk (together with the Bond Order affecting tax levies), shall be filed with the County Clerk of The County of Champaign, Illinois; and such County Clerk shall in and for each of the applicable years 2012-2020 (or as otherwise provided in the Bond Order), inclusive, ascertain the rate percent required to produce the aggregate tax hereinbefore provided to be levied in each such year and in such County; and such County Clerk shall extend the same for collection on the tax books in connection with any other taxes that may be levied in each such year in and by the Issuer for general corporate purposes of the Issuer; and in each such year such annual tax shall be levied and collected by and for and on behalf of the Issuer in like manner as provided by law for the levy and collection of taxes for general

corporate purposes for each such year, without limit as to either rate or amount, and in addition to and in excess of all other taxes.

Section 10. Special Accounts. There are hereby created and established certain special accounts of the Issuer, which are trust funds established for the purpose of carrying out the covenants, terms and conditions imposed upon the Issuer by this ordinance.

The Levied Taxes are to be paid to the City Comptroller or other appropriate financial officer who collects or receives the Levied Taxes. Whenever the City Comptroller or such officer receives any of the Levied Taxes, he or she shall promptly deposit the same into the appropriate account or accounts under this ordinance and shall be used by the Issuer solely and only for the purpose of carrying out the terms and conditions of this ordinance and shall be deposited as hereinafter provided to separate accounts hereby created to be known as the “**Principal and Interest Account (2012)**” and the “**Rebate Account**”.

(a) **The Principal and Interest Account (2012).** The City Comptroller or other appropriate financial officer shall first credit to and upon receipt shall immediately deposit into the Principal and Interest Account (2012) all funds allocated and pledged by the Corporate Authorities to pay debt service on the Bonds and receipts of any Levied Taxes extended and collected for such purpose. Such funds and Levied Taxes shall be immediately credited in full to the Principal and Interest Account (2012). Moneys to the credit of the Principal and Interest Account (2012) shall be used solely and only for the purpose of paying principal of and redemption premium, if any, and interest on the Bonds, as the same become due upon maturity, redemption or due date.

There is hereby created and established the “**Pledged Account**” as a separate account within the Principal and Interest Account (2012). The Issuer from time to time may direct the funding of the Pledged Account from available funds therefor for the purpose of abatement of taxes as provided in Section 8(a) of this ordinance. In this connection the Issuer reasonably expects to apply, to the extent practicable, and as applicable, receipts of TIF Revenues to the payment of debt services on the Bonds, such that Levied Taxes are abated, in whole or in part.

(b) **The Rebate Account.** There is hereby created a separate and special account to be known as the “**Rebate Account,**” into which there shall be deposited as necessary investment earnings in the Principal and Interest Account (2012) and/or the Bond Proceeds Fund to the extent required so as to maintain the tax exempt status of interest on Bonds. All rebates, special impositions or taxes for such purpose payable to the United States of America (Internal Revenue Service) under Section 148(f) of the Code shall be payable from the Rebate Account. In a similar manner, Yield Reduction Payments (and other required payments) shall be determined and, as applicable, paid.

(c) **Investments.** The moneys on deposit in the Bond Proceeds Fund and the accounts and subaccounts in (a) and (b) above may be invested from time to time in Qualified Investments. Any such investments may be sold from time to time by the Issuer as moneys may be needed for the purposes for which the Bond Proceeds Fund and such accounts have been created. In addition, the City Comptroller or other appropriate financial officer shall sell such investments when necessary to remedy any deficiency in the Bond Proceeds Fund or such accounts and subaccounts created in (a) and (b) above. Any earnings or losses on such investments shall first be attributed to any applicable subaccount of the Principal and Interest Account (2012) so long as the balance in such Account is less than the debt service requirements thereof.

(d) **Yield Reduction Payments.** Unless the Issuer shall have requested and received an approving written opinion of Bond Counsel to the contrary, moneys on deposit or credited to the Pledged Account shall be restricted as to yield to the yield on the Bonds, subject to **“yield reduction payments,”** as applicable, under Section 1.148-5(e) of the Income Tax Regulations, which the Issuer shall determine and, as applicable, pay in the same manner as arbitrage rebate under (a) above.

Section 11. General Covenants. The Issuer covenants and agrees with the registered owners of the Bonds, that so long as any Bonds remain outstanding and unpaid:

(a) The Issuer will punctually pay or cause to be paid the principal of, interest on and premium, if any, to become due in respect of the Bonds in strict conformity with the terms of the Bonds and this ordinance, and it will faithfully observe and perform all of the conditions, covenants and requirements hereof, including but not limited to maintaining the status of tax-exempt the Bonds.

(b) The Issuer will pay and discharge, or cause to be paid and discharged any and all lawful claims which, if unpaid, might become a lien or charge upon the funds pledged to pay debt service on the Bonds, including the Levied Taxes, or any part thereof, or upon any funds in the hands of the Paying Agent, or which might impair the security of the Bonds. Nothing herein contained shall require the Issuer to make any such payment so long as the Issuer in good faith shall contest the validity of such claims.

(c) The Issuer will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to funds pledged to pay debt service on the Bonds, including the Levied Taxes. Such books of record and accounts shall at all times during business hours of the Issuer be subject to the inspection of the registered owners of not less than ten per cent (10%) (or such lesser percentage as may be required by applicable law) of the principal amount of the Bonds then outstanding, or their representatives authorized in writing.

(d) The Issuer will preserve and protect the security of the Bonds and the rights of the registered owners of the Bonds, including without limitation the right at all times to receive and apply the funds pledged to pay debt service on the Bonds, including the Levied Taxes, in the manner, at the time and with the effect contemplated by this ordinance, with respect to which, among other things, the Issuer covenants to strictly comply with all requirements of the Act in connection therewith and herewith, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of the Bonds by the Issuer, the Bonds shall be incontestable by the Issuer.

(e) The Issuer 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 registered owners and beneficial owners of the Bonds, the Paying Agent and the Bond Registrar of the rights and benefits provided in this ordinance.

(f) As long as any Bonds are Outstanding, the Issuer will continue to deposit the funds pledged to pay debt service on the Bonds, including the Levied Taxes, to the appropriate accounts and subaccounts as herein provided. The Issuer covenants and agrees with the registered owners thereof

that so long as any Bonds remain outstanding, the Issuer will take no action or fail to take any action which in any way would adversely affect the ability of the Issuer to collect and apply the Levied Taxes in accordance with this ordinance. The Issuer and its officers will comply with the Act and with all present and future applicable laws in order to assure that such taxes may be collected as provided herein and deposited into the Principal and Interest Account (2012) and applied in accordance with this ordinance.

(g) The Issuer will timely and fully comply with all requirements of the Act, including particularly filing, all reporting and other requirements, to maintain its right to levy, extend, receive and apply Levied Taxes.

(h) After their issuance, the Bonds shall be incontestable by the Issuer, to the extent lawful.

Section 12. Sale of the Bonds. The Bonds hereby authorized shall be sold and executed as in this ordinance provided as soon after the passage hereof as may be, and the proceeds from such sale, to the extent not directly applied to pay the costs of issuance of the Bonds at the time the Bonds are issued, which application upon presentation of statements therefor is expressly authorized, shall thereupon be deposited with the City Comptroller of the Issuer, and be by the City Comptroller delivered to or at the direction of the Purchaser in accordance with the terms and provisions of the Bond Purchase Agreement, upon receipt of the purchase price therefor, the same being the purchase price set forth in the Bond Purchase Agreement (plus accrued interest, if any, to date of delivery), with credits, if any, against the purchase price under the Bond Purchase Agreement, including with respect to direct payment of issuance costs. The Bond Purchase Agreement, including the Commitment Letter and the Rate Lock Letter Agreement attached as Exhibit III thereto, subject to approval as to final form and terms by the Issuer's officers executing them, with no further approval required than this ordinance, is in all respects authorized and approved, it being hereby found and determined that the Bond Purchase Agreement, including the Commitment Letter and the Rate Lock Letter Agreement attached as Exhibit III thereto, is in the best interests of the Issuer and that no person holding an office of the Issuer either by election or appointment, is in any manner interested, either directly or indirectly, in his or her own name or in the name of any other person, association, trust or corporation, in the Bond Purchase Agreement.

The issuance, sale and delivery of the Bonds shall be accompanied by supporting documentation required by the Bond Purchase Agreement, and include as follows: (1) a certified copy of this ordinance; (2) a written direction from the Mayor to the Bond Registrar to authenticate and deliver Bonds; (3) with respect to the initial issuance, sale and delivery of any Bonds the approving opinion of Evans, Froehlich, Beth & Chamley, Champaign, Illinois (including other nationally recognized bond counsel, "**Bond Counsel**"), that such Bonds have been validly issued and constitute general obligations of and binding against the Issuer according to their terms and as to the tax-exempt status thereof; (4) the purchase price for the Bonds; and (5) such other and further showings and instruments as the Issuer, Bond Counsel approving the Bonds or the Purchaser shall reasonably require.

The Issuer hereby authorizes and approves Request for Proposals prepared and used in the offering and sale of the Bonds. The Bonds are excepted from the continuing disclosure requirements of Rule 15c2-12 and applicable rules of the Municipal Securities Rulemaking Board.

However, the Issuer will provide the owner of any of the Bonds with copies of its most recent audited financial statements at the time and in the manner specified in the Bond Purchase Agreement.

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

(a) Accrued interest, if any, received by the Issuer upon the sale of each series of Bonds and capitalized interest, if any, following the delivery of the Bonds, shall be remitted for deposit in the Principal and Interest Account (2012) and shall be used to pay first interest coming due on the Bonds.

(b) The Issuer shall then allocate from Bond proceeds, and other available funds, in excess of the requirements in (a) above, a sum necessary for expenses incurred in the issuance of Bonds, which shall be deposited in the Project Account as herein provided and disbursed for such issuance costs, which disbursements are hereby expressly authorized.

(c) Remaining funds, if any, net of amounts directly applied at closing to pay issuance costs, shall be set aside in a separate fund hereby created and designated as the “Bond Proceeds Fund (2012)” (the “**Bond Proceeds Fund**” within which there shall be a “**Refunding Account**”, as applicable, to refund any interim financing, and a “**Project Account**” identifiable to and to pay solely and only applicable Project expenditures for the Bonds and issuance costs not otherwise paid or provided for, which the Issuer shall maintain as a separate and segregated account and subaccount. Money in the Project Account shall be withdrawn from time to time as needed for the payment of Project and issuance expenses in (b) above for which funds were insufficient and for other authorized costs under applicable law, and paying the fees and expenses incidental thereto, as approved by a written opinion of Bond Counsel, and such money shall be disbursed by the Issuer from time to time for corporate purposes only upon submission to the City Comptroller or other appropriate financial officer of the following (provided that no such submissions shall be required to pay issuance costs under Section 12: If such disbursement is for payment to a supplier, materialman, or contractor for work done in connection with Project costs, documentation as is acceptable to the City Comptroller with respect to similar work and projects and/or a requisition countersigned by the engineer or architect in charge of the Project stating the amount of materials supplied or the nature of the work completed, that such materials have been properly accepted or such work approved by the engineer or architect, the amount due and payable thereon, and the amount remaining to be paid in connection with such costs accompanied, as appropriate, by contractors, affidavits and mechanics’ lien waivers.

After sixty (60) days after full depletion of the Project Account or payment of all related costs, as herein referred to, and as heretofore approved by the Corporate Authorities, the City Comptroller shall certify to the Corporate Authorities the fact of such depletion or the engineer or architect in responsible charge of the expenditures shall certify to the Corporate Authorities the fact that the work has been completed according to approved plans and specifications, as applicable, and upon approval of such certification by the Corporate Authorities, any funds remaining in the Bond Proceeds Fund shall be credited by the City Comptroller or other appropriate financial officer to a separate subaccount of the Project Account, and the Issuer shall engage Bond Counsel or another finance professional as to the disposition of such funds.

Funds on deposit in the Project Account may be invested by the City Comptroller or other appropriate financial officer in Qualified Investments, subject to applicable investment yield restrictions. All investment earnings in the Project Account shall be credited to the Project Account and otherwise as necessary to maintain the tax-exempt status of the Bonds.

Section 14. Arbitrage. The Corporate Authorities certify and covenant with the registered owners of the Bonds from time to time outstanding, that so long as any of the Bonds remain outstanding, moneys on deposit in any fund or account or subaccount in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, other than as approved by a written opinion of Bond Counsel will not be used in a manner which will cause the Bonds to be other than “**governmental bonds**” or to be “**private activity bonds**”, “**arbitrage bonds**” or “**hedge bonds**” under Sections 141, 148 and 149(g) of the Code and any lawful regulations promulgated or proposed thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised.

Section 15. Certain Investments. The Corporate Authorities reserve the right, however, to make any investment of such moneys permitted by Illinois law and this ordinance, if, when and to the extent that Section 148 of the Code or applicable Income Tax Regulations shall be repealed or relaxed or shall be held void by final decision of a court of competent jurisdiction, but only if any investment made by virtue of such repeal, relaxation or decision would not, in a written opinion of Bond Counsel of recognized competence in such matters, result in making the interest on any of the Bonds subject to federal income taxation. The Corporate Authorities further reserve the right to apply any applicable arbitrage rebate exception, with respect to which the City Comptroller is authorized to make applicable elections and otherwise act.

Section 16. Refunding Bonds. Refunding obligations issued to refund, whether at or in advance of maturity, Bonds issued under this ordinance, may be issued by the Corporate Authorities hereunder, and, upon such issuance, may be “**Bonds**” as defined hereunder, subject to the limitations hereof.

Section 17. Payment and Discharge. Bonds may be discharged, payment provided for, and the Issuer’s liability terminated, in whole or in part, as follows (as applicable to each series of Bonds):

(a) **Discharge of Indebtedness.** If (i) the Issuer shall pay or cause to be paid to the registered owners of the applicable Bonds the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein and herein, (ii) all fees and expenses of the Bond Registrar and Paying Agent shall have been paid, and (iii) the Issuer shall keep, perform and observe all and singular the covenants and promises in such Bonds and in this ordinance expressed as to be kept, performed and observed by it or on its part, then these presents and the rights hereby granted shall cease, determine and be void. If the Issuer shall pay or cause to be paid to the registered owners of the applicable Bonds of a particular series, or of a particular maturity within a series, the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein and herein, such Bonds shall cease to be entitled to any lien, benefit or security under this ordinance, and all covenants, agreements and obligations of the Issuer to the registered owners of such Bonds shall thereupon cease, terminate and become void and discharged and satisfied.

(b) **Provision for Payment.** Bonds for the payment or redemption of which sufficient monies or sufficient Government Securities shall have been deposited with the Paying Agent (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid within the meaning of this ordinance and no longer outstanding under this ordinance; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given as provided in this ordinance or arrangements satisfactory to the Bond Registrar (including Certified Public Accountant verifications and opinions of Bond Counsel) shall have been made for the giving thereof. Government Securities shall be considered sufficient only if such investments are not redeemable prior to maturity at the option of the issuer thereof and mature and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay principal and redemption premiums if any when due on the Bonds without rendering the Bonds to not qualify as tax-exempt under the Code. The Issuer may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered hereunder, which the Issuer may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) **Termination of Issuer's Liability.** Upon the discharge of indebtedness under paragraph (a) hereof, or upon the deposit with the Paying Agent or another appropriate escrow agent of sufficient money and Government Securities (such sufficiency being determined as provided in paragraph (b) hereof) for the retirement of any particular Bond or Bonds, all liability of the Issuer in respect of such Bond or Bonds shall cease, determine and be completely discharged and the registered owners thereof shall thereafter be entitled only to payment out of the money and the proceeds of the Government Securities deposited as herein described for their payment.

Section 18. Ordinance a Contract. The provisions of this ordinance shall constitute a contract between the Issuer 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 19. Amendment. The rights and obligations of the Issuer and of the registered owners of outstanding Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Corporate Authorities with the written consent of the registered owners of not less than two-thirds (2/3rds) of the principal amount of all outstanding Bonds of a particular series (excluding any of such Bonds owned by or under the control of the Issuer) of the series of Bonds affected by any such supplemental ordinance, other than amendments not prejudicial to the rights of the registered owners of the Bonds (which may be conclusively determined by receipt of an approving opinion of Bond Counsel); provided, however, that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate on, or permit the creation of a preference or priority, other than as herein provided, of any outstanding Bond or outstanding Bonds over any other applicable outstanding Bond or outstanding Bonds, or otherwise alter or impair the obligation of the Issuer to pay from pledged funds and Levied Taxes the principal of and interest on any of the outstanding series of Bonds at the time, place, rate, and in the currency provided herein, or alter or impair the obligations of the Issuer with respect to registration, transfer, exchange or notice or redemption of applicable Bonds, without the written consent of the registered owners of all the applicable Bonds affected; nor shall such modification or amendment reduce the percentage of the registered owners of outstanding Bonds required for the written consent of such modification or amendment without the written consent of the registered owners of all of the outstanding Bonds.

Section 20. Partial Invalidity. 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 21. Registered Form. The Issuer recognizes that the Bonds are to be issued and to remain in fully registered form in order that interest thereon is exempt from federal income taxation under laws in force at the time the Bonds are delivered. In this connection, the Issuer agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form.

Section 22. Bond Registrar and Paying Agent. The Bond Registrar shall maintain a list of the names and addresses of the registered owners of all Bonds and upon any transfer shall add the name and address of the new registered owner and eliminate the name and address of the transferor registered owner. If requested by a Bond Registrar and/or Paying Agent, the Mayor or City Comptroller or City Clerk of the Issuer are authorized to execute the Bond Registrar's and/or Paying Agent's standard form of agreement between the Issuer and the Bond Registrar and/or Paying Agent with respect to the obligations and duties of the Bond Registrar and/or Paying Agent hereunder, which may include the following (in any event (a) - (f) below shall apply to the Bond Registrar and Paying Agent):

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

(b) to maintain a list of registered owners of Bonds as set forth herein and to furnish such list to the Issuer upon request, but otherwise to the extent lawful to keep such list confidential;

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

(d) upon request, to furnish the Issuer at least annually a certificate with respect to Bonds cancelled and/or destroyed; and

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

The City Clerk is hereby directed to file a certified copy of this ordinance with the Bond Registrar and Paying Agent. In any event (a) - (f) above shall apply to the Bond Registrar and the Paying Agent.

Section 23. Prior Inconsistent Proceedings. 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 24. Immunity of Officers and Employees. No recourse shall be had for the payment of the principal of or premium or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this ordinance contained against any past, present or future Mayor or other officer, City Council member, employee or agent of the Issuer, or of any successor public corporation, as such, either directly or through the Issuer or any successor public

corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, council members, aldermen or agents as such is hereby expressly waived and released as a condition of and consideration for the passage of this ordinance and the issuance of the Bonds.

Section 25. Not Private Activity Bonds. None of the Bonds are a “**private activity bond**” as defined in Section 141(a) of the Code. In support of such conclusion, the Issuer certifies, represents and covenants as follows:

(a) No direct or indirect payments in violation of Section 141 of the Code are to be made on any Bond with respect to any private business use by any person other than a state or local governmental unit or private security or payment.

(b) None of the proceeds of the Bonds is to be used, directly or indirectly, in violation of Section 141 of the Code to make or finance loans to persons other than a state or local governmental unit.

The Bonds are “**governmental bonds**” and not “**private activity bonds**”.

Section 26. Arbitrage Rebate. The Issuer recognizes that the provisions of Section 148 of the Code require a rebate to the United States in certain circumstances. Exemptions, in whole or in part, to such rebate requirements appear at Sections 148(f)(4)(D) and 148(f)(4)(C) of the Code and Section 1.148-7(d) of the Income Tax Regulations concerning the small issuer, six-month, two-year and eighteen-month spending exceptions and may apply to the Bonds. In this connection, the Issuer covenants, represents and certifies as follows:

(a) The Issuer is a local governmental unit with general taxing powers.

(b) No Series Bond is a “**private activity bond**” as defined in Section 141(a) of the Code.

(c) All the net proceeds of the Bonds are to be used for local government activities of the Issuer described in this ordinance (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer) constituting capital expenditures.

(d) The aggregate face amount of all tax-exempt bonds (other than private activity bonds as defined in the Code) issued by the Issuer (and all subordinate entities thereof) during the calendar year in which the Bonds are issued is reasonably expected to exceed \$5,000,000 within the meaning of Section 148(f)(4)(D) of the Code.

(e) The Issuer shall execute and deliver an arbitrage regulation agreement related to this Section 26.

(f) In a manner similar to arbitrage rebate the Issuer will determine and, as applicable, pay yield reduction payments.

Section 27. Certain Tax Covenants. The Issuer agrees to comply with all provisions of the Code which, if not complied with by the Issuer, would cause interest on any tax-exempt Bonds

not to be tax-exempt. In furtherance of the foregoing provisions, but without limiting their generality, the Issuer agrees: (a) through its officers, to make such further specific covenants, representations as shall be true, correct and complete, and assurances as may be necessary or advisable; (b) to comply with all representations, covenants and assurances contained in certificates or agreements as may be prepared by Bond Counsel approving the Bonds; (c) to consult with such Bond Counsel and to comply with such advice as may be given; (d) to pay to the United States, if necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Bonds and/or yield reduction payments; (e) to file such forms, statements and supporting documents as may be required and in a timely manner; (f) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Issuer in such compliance; (g) to have prepared, executed, delivered and performed each applicable Bond Purchase Agreement and the Disclosure Agreement; (h) to certify abatement of Levied Taxes levied to pay the applicable Bonds; and (i) to fund the payment of issuance costs.

One purpose of this Section 27 is to set forth various facts regarding the Bonds and to establish the expectations of the Corporate Authorities and the Issuer as to future events regarding the Bonds and the use of Bond proceeds. The certifications and representations made herein and at the time of the issuance of the Bonds are intended, and may be relied upon, as certifications and expectations described in Section 1.148-O *et seq.* of the Income Tax Regulations dealing with arbitrage and rebate (the “**Regulations**”). The covenants and agreements contained herein and to be made at the time of the issuance of the Bonds are made for the benefit of the registered owners and beneficial owners from time to time of the Bonds. The Corporate Authorities and the Issuer agree, certify, covenant and represent as follows:

(a) The Bonds are being issued to finance the Project, as capital expenditures, and to pay certain costs of issuance of the Bonds, and all of the amounts received upon the sale of the Bonds, plus all investment earnings thereon (the “**Proceeds**”) are needed for the purposes for which the Bonds are being issued.

(b) Proceeds of the Bonds will be applied as described above in Section 2.

(c) The Issuer has on hand no funds which could legally and practically be used for the Project which are not pledged, budgeted, earmarked or otherwise necessary to be used for other purposes. Accordingly, no portion of the Bond Proceeds will be used (i) directly or indirectly to replace funds of the Issuer or any agency, department or division thereof that could be used as herein provided, or (ii) to replace any proceeds of any prior issuance of obligations by the Issuer. No portion of the Bonds is being issued solely for the purpose of investing Proceeds at a Yield higher than the Yield on the Bonds. For purposes of this Section 27, “**Yield**” or “**yield**” means that yield (that is, the discount rate) which when used in computing the present worth of all payments of principal and interest to be paid on an obligation (using semi-annual compounding on the basis of a 360-day year) produces an amount equal to the purchase price of the obligation, including accrued interest. The “**purchase price**” of the Bonds is equal to the first offering price at which more than 10% of the principal amount of each maturity of the Bonds is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

(d) All principal proceeds of Bonds, not directly applied to finance issuance costs, will be deposited in the Bond Proceeds Fund and used to pay Project costs and costs of issuance of

the Bonds, and any accrued interest and premium received on the delivery of the Bonds will be deposited in the Principal and Interest Account (2012) and used to pay the first interest due on the Bonds. Earnings on investment of moneys in any fund or account will be credited to that fund or account. Issuance costs of the Bonds will be paid from the Bond Proceeds Fund, and no other moneys are expected to be deposited therein. Interest on and principal of the Bonds will be paid from the Principal and Interest Account (2012).

(e) The Principal and Interest Account (2012) is established to achieve a proper matching of revenues and earnings with debt service in each Bond Year (i.e., each annual December 2 – December 1 period). Other than any amounts held to pay principal of matured Bonds that have not been presented for payment, it is expected that any moneys deposited in the Principal and Interest Account (2012) will be spent within the 12-month period beginning on the date of deposit therein. Any earnings from the investment of amounts in the Principal and Interest Account (2012) will be spent within a one-year period beginning on the date of receipt of such investment earnings. Other than any amounts held to pay principal of matured Bonds that have not been presented for payment, it is expected that the Principal and Interest Account (2012), except the Pledged Account, will be depleted at least once a year, except for a reasonable carryover amount not to exceed the greater of (i) one-year's earnings on the investment of moneys in the Principal and Interest Account (2012) or (ii) in the aggregate one-twelfth (1/12th) of the annual debt service on the Bonds. Any excess over such amount shall be credited to the Pledged Account.

(f) Other than the Principal and Interest Account (2012) and the related Pledged Account, no funds or accounts or subaccounts have been or are expected to be established, and no moneys or property have been or are expected to be pledged (no matter where held or the source thereof) which will be available to pay, directly or indirectly, the Bonds or restricted so as to give reasonable assurance of their availability for such purposes. Except for Proceeds applied to pay the costs of a Policy, no property of any kind is pledged to secure, or is available to pay, obligations of the Issuer to any credit enhancer or liquidity provider.

(g) (i) All amounts on deposit in the Bond Proceeds Fund or the Principal and Interest Account(2012) and all Proceeds, in the applicable accounts or subaccounts deposited (“**Gross Proceeds**”) for the Bonds, to the extent not exempted in (ii) below, and all amounts in any fund or account pledged directly or indirectly to the payment of the Bonds which will be available to pay, directly or indirectly, the Bonds or restricted so as to give reasonable assurance of their availability for such purpose contrary to the expectations set forth in (f) above, shall be invested at market prices and at a Yield not in excess of the Yield on the Bonds plus, for amounts, if any, in the Project Account for the Project, after the three-year temporary period, only, 1/8 of 1%.

(ii) The following may be invested without Yield restriction:

(A) amounts invested in obligations described in Section 103(a) of the Code (but not specified private activity bonds as defined in Section 57(a)(5)(C) of the Code), the interest on which is not includable in the gross income of any registered owner thereof for federal income tax purposes (“**Tax-Exempt Obligations**”);

(B) amounts deposited in the Principal and Interest Account (2012) that are reasonably expected to be expended within 13 months from the deposit date and have not been on deposit therein for more than 13 months;

(C) an amount not to exceed 5% (but in any event not to exceed \$100,000) of Bond proceeds;

(D) all amounts for the first 30 days after they become Gross Proceeds (i.e., the date of deposit in any fund or account securing the Bonds);

(E) all amounts derived from the investment of the Proceeds for a period of one year from the date received; and

(F) all amounts in the Project Account for a three year temporary period.

(h) Subject to (q) below, once moneys are subject to the Yield limits of (g)(i) above, such moneys remain Yield restricted until they cease to be Gross Proceeds.

(i) This subsection (i) incorporates the provisions of Section 10(b) concerning arbitrage rebate.

(j) None of the Proceeds will be used, directly or indirectly, to replace funds which were used in any business carried on by any person other than a state or local governmental unit.

(k) The payment of the principal of or the interest on the Bonds will not in violation of Section 141 of the Code, directly or indirectly, be (A) secured by any interest in (i) property used or to be used for a private business use by any person other than a state or local governmental unit, or (ii) payments in respect of such property, or (B) derived from payments (whether or not by or to the Issuer), in respect of property, or borrowed money, used or to be used for a private business use by any person other than a state or local governmental unit.

(l) None of the Proceeds will be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit.

(m) No user of any Project other than a state or local government unit will use such Project on any basis other than the same basis as the general public, and no person other than a state or local governmental unit will be a user thereof as a result of (i) ownership, or (ii) actual or beneficial use pursuant to a lease or a management or incentive payment contract, or (iii) any other similar arrangement.

(n) Beginning on the 15th day prior to each Bond sale date, the Issuer has not sold or delivered, and will not sell or deliver (nor will it deliver within 15 days after the date of issuance of such Bonds) any other obligations pursuant to a common plan of financing, which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or will be paid directly or indirectly from Proceeds.

(o) No portion of the Project is expected to be sold or otherwise disposed of prior to the last maturity of the Bonds.

(p) The Yield restrictions contained in (g) above or any other restriction or covenant contained herein need not be observed and may be changed if the Issuer receives an opinion of Bond Counsel to the effect that such non-observance or change will not adversely affect the tax-exempt status of the Bonds.

(q) The Issuer 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 and that Bond Counsel should be contacted if such changes do occur.

(r) The Corporate Authorities have no reason to believe the facts, estimates, circumstances and expectations set forth herein are untrue or incomplete in any material respect. On the basis of such facts, estimates, circumstances and expectations, it is not expected that the Proceeds or any other moneys or property will be used in a manner that will cause the Bonds to be hedge bonds, arbitrage bonds or private activity bonds within the meaning of Sections 149(g), 148 or 141 of the Code. To the best of the knowledge and belief of the Corporate Authorities, such expectations are reasonable, and there are no other facts, estimates and circumstances that would materially change such expectations.

Section 28. Qualified Tax-Exempt Obligations. The Issuer recognizes the provisions of Section 265(b)(3) of the Code which provide that a “**qualified tax-exempt obligation**” as therein defined may be treated by certain financial institutions as if it were acquired on August 7, 1986, for certain purposes. The Issuer hereby designates the Bonds under Section 265(b)(3) of the Code as “**qualified tax-exempt obligations**”.

(a) The Issuer acknowledges that a “**qualified tax exempt obligation**” means a bond which is not a “**private activity bond**” as defined in Section 141(a) of the Code.

(b) The Issuer represents that including the Bonds, the Issuer (including any entities subordinate thereto) does not reasonably expect to issue in excess of \$10,000,000 in “**qualified tax-exempt obligations**” (other than non-501(c)(3) “**private activity bonds**”) (as such terms are defined in the Code) during the calendar year 2012.

In determining whether the Bonds are “**qualified tax-exempt obligations**” certain obligations are not taken into account in aggregating the applicable \$10,000,000 limit of the small issuer exception under Section 265(b)(3) of the Code, including under Section 265(b)(3)(C)(III):

(III) an obligation issued to refund (other than to advance refund within the meaning of section 149(d)(5)) any obligation to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation.

Section 29. Instruments of Further Assurance. The RFP is ratified, confirmed and approved in the placement and sale of the Bonds. The Bond Purchase Agreement, in substantially the form presented before the meeting of the Corporate Authorities at which this ordinance is adopted, with such changes therein as the officers of the Issuer executing it shall approve, which approval shall

constitute the approval of the Corporate Authorities of such changes, shall be and is hereby authorized and approved for execution, delivery and performance. The Issuer covenants that it shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such ordinances and other actions supplemental hereto, and such further acts, agreements, instruments and transfers as may be reasonably required for the authorized abatement of Levied Taxes to pay the Bonds and the better assuring, transferring, conveying, pledging, assigning and confirming unto the registered owners of the Bonds its interest in the funds pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds and the application of Bond proceeds, all as herein provided.

Any and all interest in property hereafter acquired which is of any kind or nature herein provided to be and become subject to the lien hereof shall and without any further conveyance, assignment or act on the part of the Issuer or any other person, become and be subject to the lien of this ordinance as fully and completely as though specifically described herein, but nothing contained in this Section 29 shall be deemed to modify or change the obligations of the Issuer under this Section 29.

Section 30. Effective Date. Pursuant to home rule power and authority, all procedural requirements preliminary to adoption of this ordinance are waived, and this ordinance shall be in full force and effect immediately upon its adoption and approval.

Adopted December 10, 2012, upon motion by Alderman _____,
seconded by Alderman _____, by roll call vote, as follows:

AYES (names): _____

NAYS (names): _____

ABSENT (names): _____

Attest: _____ Approved: December ____, 2012

(SEAL)

City Clerk, City of Urbana,
Champaign County, Illinois

Mayor, City of Urbana,
Champaign County, Illinois

Recorded in the Issuer's Records on _____, 2012.

STATE OF ILLINOIS)
)
THE COUNTY OF CHAMPAIGN) SS
)
CITY OF URBANA)

CERTIFICATION OF ORDINANCE

I, Phyllis Clark, do hereby certify that I am the duly qualified and acting City Clerk of the City of Urbana, Champaign County, Illinois (the “**Issuer**”), and as such official I am the keeper of the records and files of the Issuer and of the City Council of the Issuer (the “**Corporate Authorities**”).

I do further certify that the attached ordinance constitutes a full, true and correct excerpt from the proceedings of the special meeting of the Issuer’s Corporate Authorities duly called for that purpose on December 10, 2012, insofar as same relates to the adoption of an ordinance numbered and entitled:

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS, SERIES 2012, PROVIDING THE DETAILS OF SUCH BONDS AND FOR A LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON SUCH BONDS, AND RELATED MATTERS,

a true, correct and complete copy of which ordinance as adopted at such meeting appears in the minutes of such meeting and is hereto attached. Such ordinance was adopted and approved on the date thereon set forth by not less than an affirmative vote of a majority of the Corporate Authorities and approved by the Mayor on the date indicated thereon.

I do further certify that the deliberations of the Corporate Authorities on the adoption of such ordinance were taken openly, that the vote on the adoption of such ordinance was taken openly and was preceded by a public recital of the nature of the matter being considered and such other information as would inform the public of the business being conducted, that such meeting was called at a specified time and place convenient to the public, that the agenda for the meeting was duly posted on the Municipality’s website and at the Urbana City Building at least 48 hours prior to the meeting, that notice of such meeting was duly given to all members of the Corporate Authorities as required by the Urbana City Code and to all of the news media requesting such notice, that such meeting was called and held in strict compliance with the provisions of the open meetings laws of the State of Illinois, as amended, and the Illinois Municipal Code, as amended, and that the Corporate Authorities have complied with all of the provisions of such open meeting laws and Illinois Municipal Code and with their procedural rules in the adoption of such ordinance.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal of the City of Urbana, Champaign County, Illinois, this ____ day of December, 2012.

(SEAL)

City Clerk