



AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item number: 6b

Title:

Recommendation to approve an Ordinance providing for the issue of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A for capital project purposes and not to exceed \$4,800,000 Taxable General Obligation Corporate Purpose Refunding Bonds, Series 2018B for refunding purposes, authorizing the execution of a bond order and escrow agreement, providing for the levy of taxes to pay said bonds, and authorizing the sale of each series of bonds to the purchaser thereof.

Presenter:

Chris Minick, Finance Director

Meeting: Government Operations Committee

Date: March 5, 2018

Proposed Cost: \$

Budgeted Amount: \$

Not Budgeted:

Executive Summary *(if not budgeted please explain):*

Attached is an ordinance authorizing the City to issue General Obligation Bond Series 2018A and Taxable General Obligation Refunding Bonds Series 2018B.

Approximately \$17.0 million of the \$22.9 million Series A bonds will be used to finance a majority of the construction of the Police Station building, as discussed during the February 10, 2018 City Council Retreat. The remainder of the bonds will be used to finance projects contemplated in the 2017-18 budget, including, electric system improvements, street rehabilitation, reimburse the City for 7th Ave Creek property purchases and improvements to date, and Water and Wastewater SCADA improvements.

The Series B bonds will be issued to refinance bonds issued previously. Currently, there is one bond series that has been identified as a potential candidate for refinancing (Series 2010A). However, as part of the Tax Cuts and Jobs Act that went into effect January 1, any refunding of tax exempt bonds must be made with taxable, bonds. As taxable bonds carry a higher interest rate, this limits the refunding opportunities for the City. Currently, the present value of savings for these bonds would be \$88,000 or 2.53% of refunded par. The ordinance contains a present value savings threshold of 3% of refunded par. However, market conditions change daily which could result in savings above the threshold. Our underwriters will continue to monitor the situation and by approving this ordinance we maintain the flexibility to be able to refund the bonds if the savings level so warrants.

Attachments *(please list):*

Ordinance

Recommendation/Suggested Action *(briefly explain):*

Recommendation to approve an Ordinance providing for the issue of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A for capital project purposes and not to exceed \$4,800,000 Taxable General Obligation Corporate Purpose Refunding Bonds, Series 2018B for refunding purposes, authorizing the execution of a bond order and escrow agreement, providing for the levy of taxes to pay said bonds, and authorizing the sale of each series of bonds to the purchaser thereof.

ORDINANCE NUMBER _____

AN ORDINANCE providing for the issuance of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A and not to exceed \$4,800,000 General Obligation Corporate Purpose Refunding Bonds, Series 2018B, of the City of St. Charles, Kane and DuPage Counties, Illinois, authorizing the execution of a bond order and escrow agreement in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds and authorizing the sale of each series of said bonds to the purchaser thereof.

Adopted by the City Council on the
19th day of March, 2018.

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ORDINANCE NUMBER _____

AN ORDINANCE providing for the issuance of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A and not to exceed \$4,800,000 General Obligation Corporate Purpose Refunding Bonds, Series 2018B, of the City of St. Charles, Kane and DuPage Counties, Illinois, authorizing the execution of a bond order and escrow agreement in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds and authorizing the sale of each series of said bonds to the purchaser thereof.

PREAMBLES

WHEREAS

A. The City of St. Charles, Kane and DuPage Counties, Illinois (the “City”), has a population in excess of 25,000, and pursuant to the provisions of the 1970 Constitution of the State of Illinois and particularly Article VII, Section 6(a) thereof, is a home rule unit and as such may exercise any power or perform any function pertaining to its government and affairs, including, but not limited to, the power to tax and to incur debt.

B. Pursuant to the home rule provisions of said Section 6, the City has the power to incur debt payable from ad valorem property tax receipts or from any other lawful source and maturing within 40 years from the time it is incurred without prior referendum approval.

C. The City Council of the City (the “Corporate Authorities”) has determined it is necessary and desirable for the construction, acquisition and installation of certain public capital infrastructure improvements, including but not limited to street and roadway improvements, water and sewer improvements, police station improvements, and electrical improvements in and for the City, together with such engineering, electrical, financial, legal and other professional services related thereto as may be advisable and necessary (such improvements and related expenses and costs being the “2018A Project”), at an estimated cost of not to exceed

\$22,900,000 and, there being no funds on hand and allocable to the purpose, the Corporate Authorities have determined it is necessary and desirable to borrow not to exceed \$22,900,000 at this time pursuant to the hereinafter Act and, in evidence of such borrowing, to issue general obligation corporate purpose bonds of the City up to such principal amount.

D. The City has heretofore issued for various lawful corporate purposes the following outstanding and validly subsisting and unpaid general obligation bonds: General Obligation Corporate Purpose Bonds, Series 2010A, dated December 14, 2010 (referred to herein as the “*Series 2010A Bonds*” or the “*Prior Bonds*”).

E. The Corporate Authorities have determined that in connection with the issuance of the hereinafter defined Series 2018B Bonds, it is necessary and convenient for the public health, safety and welfare to realize debt service savings for the City (the “*Refunding*”) by refunding all or stated portions (as set forth in the hereinafter defined Escrow Agreement) of the Prior Bonds (such Prior Bonds to be refunded being the “*Refunded Bonds*”), and that such Refunded Bonds be called for redemption in advance of their maturity, and it is necessary and desirable to make such call for the redemption of the Refunded Bonds on the earliest practicable call date, and provide for the giving of proper notice to the registered owners of the Refunded Bonds.

F. To accomplish the Refunding, including payment of related costs of issuance of bonds and of the Refunding, it is deemed necessary and desirable to provide for the issuance of not to exceed \$4,800,000 principal amount general obligation corporate purpose bonds.

G. The Corporate Authorities do hereby determine that it is advisable and in the best interest of the City to borrow the aggregate principal amounts of not to exceed \$22,900,000 for the purpose of paying the costs of the 2018A Project and not to exceed \$4,800,000 for the purpose of paying the costs of the Refunding.

H. The Corporate Authorities have heretofore, and it hereby expressly is, determined that it is desirable and in the best interests of the City that certain designated representatives of the City be authorized to sell such bonds from time to time and accordingly, it is necessary that said designated representatives be so authorized with certain parameters as hereinafter set forth.

NOW THEREFORE Be It Ordained by the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, in the exercise of its home rule powers, as follows:

Section 1. Definitions. Words and terms used in this Ordinance shall have the meanings given them, unless the context or use clearly indicates another or different meaning is intended. Words and terms defined in the singular may be used in the plural and vice-versa. Reference to any gender shall be deemed to include the other and also inanimate persons such as corporations, where applicable.

A. The following words and terms are as defined in the preambles.

2018A Project

City

Corporate Authorities

Prior Bonds

Refunded Bonds

Refunding

Series 2010A Bonds

B. The following words and terms are defined as set forth.

“Act” means the Illinois Municipal Code, as supplemented and amended, and also the home rule powers of the City under Section 6 of Article VII of the Illinois Constitution of 1970; and in the event of conflict between the provisions of the code and

home rule powers, the home rule powers shall be deemed to supersede the provisions of the code.

“Ad Valorem Property Taxes” means the real property taxes levied to pay each Series of the Bonds as described and levied in (Section 11 of) this Ordinance.

“Bond Counsel” means Chapman and Cutler LLP, Chicago, Illinois.

“Bond Fund” means, collectively, the Bond Funds established and defined for each Series of Bonds in (Section 16 of) this Ordinance.

“Bond Moneys” means the Ad Valorem Property Taxes and any other moneys deposited into each Bond Fund, and investment income held in each Bond Fund.

“Bond Order” means a Bond Order as authorized to be executed by Designated Representatives of the City as provided in (Section 13 of) this Ordinance, and by which the final terms of the Bonds will be established.

“Bond Purchase Agreement” means the contract for the sale of one or more Series of the Bonds by and between the City and the Purchaser.

“Bond Register” means the books of the City kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

“Bond Registrar” means Amalgamated Bank of Chicago, having trust offices located in the City of Chicago, Illinois, or its successors, in its capacity as bond registrar and paying agent under this Ordinance, or a substituted bond registrar and paying agent as hereinafter provided.

“Bond Year” means the twelve calendar month period beginning on December 2 of any calendar year and ending on the subsequent December 1.

“Bonds” means any of the one or more Series of general obligation bonds of various names authorized to be issued by this Ordinance.

“*Book Entry Form*” means the form of the Bonds as fully registered and available in physical form only to the Depository.

“*Business Day*” means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains an office designated for the purpose, are required or authorized to close.

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

“*Continuing Disclosure Undertaking*” means the undertaking by the City for the benefit of the Purchaser as authorized in (Section 15 of) this Ordinance.

“*Counties*” means The Counties of Kane and of DuPage, Illinois.

“*County Clerks*” means the respective County Clerks of the Counties.

“*Depository*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, its successors, or a successor depository qualified to clear securities under applicable state and federal laws.

“*Designated Representatives*” means the Mayor, City Administrator and Finance Director, or successors and assigns.

“*Escrow Agent*” means Amalgamated Bank of Chicago, Chicago, Illinois, as escrow agent.

“*Escrow Agreement*” means the written escrow agreement between the City and the Escrow Agent, as more particularly referred to in (Section 16 of) this Ordinance.

“*Government Securities*” means direct full faith and credit obligations of the United States of America (including, bills, notes, bonds and obligations of the State and Local Government Series).

“*Ordinance*” means this Ordinance, numbered as set forth on the title page, and passed by the Corporate Authorities on the 19th day of March, 2018.

“*Outstanding*” or “*outstanding*” refers to Bonds and Prior Bonds which are outstanding and unpaid; provided, however, such term shall not include Bonds and Prior Bonds (i) which have matured and for which moneys are on deposit with proper paying agents, or are otherwise properly available, sufficient to pay all principal thereof and interest thereon, or (ii) the provision for payment of which has been made by the City 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 or Prior Bonds.

“*Purchase Price*” means the price to be paid for a Series of the Bonds as set forth in a Bond Order, *provided* that no Purchase Price for any Series of Bonds shall be less than ninety-six percent (96.0%) of the par value of said Series of Bonds, plus accrued interest from the date of issue to the date of delivery, if any.

“*Purchaser*” means (a) with respect to the Series 2018A Bonds, Robert W. Baird & Co. Incorporated, Naperville, Illinois (“*Robert W. Baird*”), and (b) with respect to the Series 2018B Bonds (i) for any negotiated underwriting, Robert W. Baird, and (ii) for any private placement, as determined by the Designated Representatives in consultation with Robert W. Baird, as placement agent, a bank or financial institution authorized to do business in the State of Illinois or an “accredited investor” as described in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended.

“*Qualified Investments*” means any investments for City funds as may be from time to time authorized under Illinois law.

“*Record Date*” means the 15th day of the month preceding any regular interest payment date and 15 days preceding any interest payment date occurring on other than the first day of a given month occasioned by a redemption of Bonds.

“*Series*” means any of the one or more separate series of the Bonds authorized to be issued pursuant to this Ordinance.

“*Stated Maturity*” means, with respect to any Bond or any interest thereon, the fixed date on which the principal of such Bond or the interest thereon is due and payable, whether by maturity or otherwise.

“*Tax-exempt*” means, with respect to the Series 2018A Bonds and any of the Series 2018B Bonds issued on a tax-exempt basis, the status of interest paid and received thereon as excludable from the gross income of the owners thereof under the Code for federal income tax purposes except to the extent that such interest may be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations.

“*Term Bonds*” means Bonds subject to mandatory redemption by operation of the Bond Fund and designated as term bonds herein.

C. Definitions also appear in the above preambles or in specific sections, as appearing below. The table of contents preceding and the headings in this Ordinance are for the convenience of the reader and are not a part of this Ordinance.

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

Section 3. Determination To Issue Bonds. It is necessary and in the best interests of the City to provide for the 2018A Project and the Refunding, to pay all necessary or advisable

related costs, and to borrow money and issue the Bonds for the purpose of paying a part of such costs. It is hereby found and determined that such borrowing of money is for a proper public purpose or purposes and is in the public interest, and is authorized pursuant to the Act; and these findings and determinations shall be deemed conclusive.

Section 4. Bond Details. A. SERIES 2018A BONDS. For the purpose of providing for the 2018A Project, there shall be issued and sold Bonds in one Series to be designated “*General Obligation Corporate Purpose Bonds, Series 2018A*” or such other name or names or Series designations as may be appropriate and as stated in a relevant Bond Order, in not to exceed the principal amount of \$22,900,000. Such Bonds (the “*Series 2018A Bonds*”) shall mature in the amounts (not to exceed \$2,100,000 per Stated Maturity date) and in the years as shall be set forth in the relevant Bond Order, *provided, however, that* the maximum Stated Maturity date of the Series 2018A Bonds shall not extend past December 1, 2037. Each Series 2018A Bond shall bear interest at a rate not to exceed seven percent (7.0%) per annum, from the later of its Dated Date as herein provided or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of such Series 2018A 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 June 1 and December 1 of each year, commencing on such June 1 or December 1 as shall be provided in a relevant Bond Order. Further, the amount of debt service due on the Series 2018A Bonds in any Bond Year shall not exceed \$2,200,000.

B. SERIES 2018B BONDS. For the purpose of providing for the Refunding, there shall be issued and sold Bonds to be designated “[*Taxable*] *General Obligation Corporate Purpose Refunding Bonds, Series 2018B*” or such other name or names or Series designations as may be appropriate and issued on a taxable or Tax-exempt basis, all as stated in a relevant Bond Order,

and in not to exceed the principal amount of \$4,800,000. Such Bonds (the “*Series 2018B Bonds*”) shall mature in the amounts (not to exceed \$580,000 per Stated Maturity date) and in the years as shall be set forth in the relevant Bond Order, *provided, however, that* the maximum Stated Maturity date the Series 2018B Bonds shall not extend past December 1, 2030. Each Series 2018B Bond shall bear interest at a rate not to exceed five percent (5.0%) per annum, from the later of its Dated Date as herein provided or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of such Series 2018B 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 June 1 and December 1 of each year, commencing on such June 1 or December 1 as shall be provided in a relevant Bond Order. Further, the amount of debt service due on the Series 2018B Bonds in any Bond Year shall not exceed \$532,318.

C. GENERAL. The Bonds shall be dated on or before the date of issuance as may be set forth in a relevant Bond Order (for each Series, a “*Dated Date*”); and each Bond shall also bear the date of authentication thereof. The Bonds shall be fully registered and in Book Entry Form, shall be in denominations of \$5,000 or integral multiples thereof (but no single Bond shall represent principal maturing on more than one date), and shall be numbered consecutively within Series in such fashion as shall be determined by the Bond Registrar. The Bonds shall become due and payable serially or as Term Bonds (subject to right of prior redemption) on December 1 of the years in which the Bonds are to mature. Interest on each Bond shall be paid by check or draft of the Bond Registrar, payable upon presentation thereof 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 and mailed to the registered owner of the Bond as shown in the Bond Registrar or at such other address furnished in writing by such Registered Owner, or as

otherwise may be agreed with the Depository for so long as the Depository or its nominee is the registered owner as of a given Record Date. The principal of the Bonds shall be payable in lawful money of the United States of America upon presentation thereof at the office of the Bond Registrar maintained for the purpose or at successor Bond Register or locality. Further conditions of sale and delivery are set forth below (Section 13).

Section 5. Registration of Bonds; Persons Treated as Owners. The City shall cause the Bond Register to be kept at the office of the Bond Registrar maintained for such purpose, which is hereby constituted and appointed the registrar of the City for the Bonds. The City shall prepare, and the Bond Registrar or such other agent as the City may designate shall keep custody of, multiple Bond blanks executed by the City for use in the transfer and exchange of Bonds. Subject to the provisions of this Ordinance relating to the Bonds in Book Entry Form, 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 this Ordinance. Upon surrender for transfer or exchange of any Bond at the office of the Bond Registrar maintained for the purpose, duly endorsed by or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Bond Registrar and duly executed by the registered owner or an attorney for such owner duly authorized in writing, the City 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 Series and 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 close of business on the Record Date for an interest payment to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Bonds or to transfer or exchange any Bond all or any portion of

which has been called for redemption. The execution by the City 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 Bonds of each maturity authenticated by the Bond Registrar shall not at any one time exceed the authorized principal amount of Bonds for such maturity less the amount of such Bonds which have been paid. 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 to any registered owner of Bonds for any transfer or exchange of Bonds, but the City 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.

Section 6. Book Entry Provisions. The Bonds shall be initially issued in Book Entry Form. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in the name of the Depository or a designee or nominee of the Depository (such depository or nominee being the “*Book Entry Owner*”). Except as otherwise expressly provided, all of the Outstanding Bonds from time to time shall be registered in the Bond Register in the name of the Book Entry Owner (and accordingly in Book Entry Form as such term is used in this Ordinance). Any City officer, as representative of the City, is hereby authorized, empowered, and directed to execute and deliver or utilize a previously executed and delivered Letter of Representations or Blanket Letter of Representations (either being the “*Letter of Representations*”) substantially in the form common in the industry, or with such changes therein as the officer executing the Letter of Representations on behalf of the City shall approve, his or

her execution thereof to constitute conclusive evidence of approval of such changes, as shall be necessary to effectuate Book Entry Form. Without limiting the generality of the authority given with respect to entering into such Letter of Representations, it may contain provisions relating to (a) payment procedures, (b) transfers of the Bonds or of beneficial interests therein, (c) redemption notices and procedures unique to the Depository, (d) additional notices or communications, and (e) amendment from time to time to conform with changing customs and practices with respect to securities industry transfer and payment practices. With respect to Bonds registered in the Bond Register in the name of the Book Entry Owner, none of the City, any City officer, or the Bond Registrar shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which the Depository holds Bonds from time to time as securities depository (each such broker-dealer, bank, or other financial institution being referred to herein as a “*Depository Participant*”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds. Without limiting the meaning of the immediately preceding sentence, the City, any City officer, and the Bond Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Book Entry Owner, or any Depository Participant with respect to any ownership interest in the Bonds, (b) the delivery to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register or as otherwise expressly provided in the Letter of Representations, of any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any Depository 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. No person other than a registered owner of a Bond as shown in the Bond Register shall receive a Bond certificate with respect to any Bond. In the event that (a) the City determines that the Depository is incapable of discharging its responsibilities described herein

and in the Letter of Representations, (b) the agreement among the City, the Bond Registrar, and the Depository evidenced by the Letter of Representations shall be terminated for any reason, or (c) the City determines that it is in the best interests of the City or of the beneficial owners of the Bonds either that they be able to obtain certificated Bonds or that another depository is preferable, the City shall notify the Depository and the Depository shall notify the Depository Participants of the availability of Bond certificates, and the Bonds (of a given Series if applicable) shall no longer be restricted to being registered in the Bond Register in the name of the Book Entry Owner. Alternatively, at such time, the City may determine that the Bonds of such Series shall be registered in the name of and deposited with a successor depository operating a system accommodating Book Entry Form, as may be acceptable to the City, or such depository's agent or designee, but if the City does not select such alternate book entry system, then the Bonds of such Series shall be registered in whatever name or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 7. Execution; Authentication. The Bonds shall be executed on behalf of the City by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its City Clerk, as they may determine, and shall be impressed or imprinted with the corporate seal or facsimile seal of the City. In case any such 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 provided, duly executed by the Bond Registrar as authenticating agent of the City 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 8. Redemption.

A. *Optional Redemption.* If so provided in the Bond Order, any Bond shall be subject to redemption prior to maturity at the option of the City, from any available moneys, in whole or in part and if in part in such principal amounts and from such maturities as shall be determined by the City and within any maturity by lot, on any date which is not later than the date which is 10 1/2 years from the Dated Date and on any date thereafter and at any redemption price which is not in excess of 103% of par, plus accrued interest to the date fixed for redemption.

B. *Term Bonds; Mandatory Redemption and Covenants; Effect of Purchase of Term Bonds.* The Bonds may be subject to mandatory redemption (as Term Bonds) as provided in a Bond Order. Bonds designated as Term Bonds shall be made subject to mandatory redemption by operation of the Bond Fund at a price of not to exceed par and accrued interest, without premium, on December 1 of the years and in the amounts as shall be determined in a Bond Order. The City covenants that it will redeem Term Bonds pursuant to the mandatory redemption requirement for such Term Bonds. Proper provision for mandatory redemption having been made, the City covenants that the Term Bonds so selected for redemption shall be payable as at maturity, and taxes shall be levied and collected as provided herein accordingly. If the City purchases Term Bonds of any maturity and cancels the same from Bond Moneys as hereinafter described, then an amount equal to the principal amount of Term Bonds so purchased shall be deducted from the mandatory redemption requirements provided for Term Bonds of such maturity, first, in the current year of such requirement, until the requirement for the current year has been fully met, and then in any order of such Term Bonds as due at maturity or subject to

mandatory redemption in any year, as the City shall determine. If the City purchases Term Bonds of any maturity and cancels the same from moneys other than Bond Moneys, then an amount equal to the principal amount of Term Bonds so purchased shall be deducted from the amount of such Term Bonds as due at maturity or subject to mandatory redemption requirement in any year, as the City shall determine.

C. Redemption Procedures. Term Bonds subject to redemption shall be identified, notice given, and paid and redeemed pursuant to the procedures as follows.

(1) *Redemption Notice.* For a mandatory redemption, unless otherwise notified by the City, the Bond Registrar will proceed on behalf of the City as its agent to provide for the mandatory redemption of such Term Bonds without further order or direction hereunder or otherwise.

(2) *Selection of Bonds within a Maturity.* For purposes of any redemption of less than all of the Bonds of a Series of a single maturity, the particular Bonds or portions of Bonds of that Series to be redeemed shall be selected by lot by the Bond Registrar for the Bonds of that Series 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 (1) upon or prior to the time of the giving of official notice of redemption, or (2) in the event of a refunding or defeasance, upon advice from the City that certain Bonds have been refunded or defeased and are no longer Outstanding as defined.

(3) *Official Notice of Redemption.* The Bond Registrar shall promptly notify the City 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 City by mailing the redemption notice by first class U.S. 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:

(a) the redemption date;

(b) the redemption price;

(c) if less than all of the Outstanding Bonds of a Series of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of Bonds of that Series within such maturity, the respective principal amounts) of the Bonds to be redeemed;

(d) 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

(e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office designated for that purpose of the Bond Registrar.

(4) *Conditional Redemption.* Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed shall have been received by the Bond Registrar prior to

the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

(5) *Bonds Shall Become Due.* Official notice of redemption having been given as described, the Bonds or portions of Bonds so to be redeemed shall, subject to the stated condition in paragraph (4) immediately preceding, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. The procedure for the payment of interest due as part of the redemption price shall be as herein provided for payment of interest otherwise due.

(6) *Insufficiency in Notice Not Affecting Other Bonds; Failure to Receive Notice; Waiver.* Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a Bond, shall affect the sufficiency of such notice with respect to other registered owners. Notice having been properly given, failure of a registered owner of a Bond to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner of a Bond 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. In lieu of the foregoing official notice, so long as the Bonds are held in Book Entry Form, notice may be given as provided in the Letter of Representations, and the giving of such notice shall constitute a waiver by the Depository and the Book Entry Owner, as registered owner, of the foregoing notice. After giving proper notification of redemption to the Bond Registrar, as applicable, the City shall not be liable for any failure to give or defect in such notice.

(7) *New Bond in Amount Not Redeemed.* 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 Series and the same maturity, and bearing the same rate of interest in the amount of the unpaid principal.

(8) *Effect of Nonpayment upon Redemption.* If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall become due and payable on demand, as aforesaid, but, until paid or duly provided for, shall continue to bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption.

(9) *Bonds to Be Cancelled; Payment to Identify Bonds.* All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(10) *Additional Notice.* The City agrees to provide such additional notice of redemption as it may deem advisable at such time as it determines to redeem Bonds, taking into account any requirements or guidance of the Securities and Exchange Commission, the Municipal Securities Rulemaking Board, the Governmental Accounting Standards Board, or any other federal or state agency having jurisdiction or authority in such matters; *provided, however,* that such additional notice shall be (1) advisory in nature, (2) solely in the discretion of the City (unless a separate agreement shall be made), (3) not be a condition precedent of a valid redemption or a part of the Bond contract, and (4) any failure or defect in such notice shall not delay or invalidate the redemption of Bonds for which proper official notice shall have been given. Reference is also made to the provisions of the Continuing Disclosure Undertaking of the City with respect to the Bonds, which may contain other provisions relating to notice of redemption of Bonds.

(11) *Bond Registrar to Advise City.* As part of its duties hereunder, the Bond Registrar shall prepare and forward to the City a statement as to notices given with respect to each redemption together with copies of the notices as mailed.

Section 9. 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 BONDS - FRONT SIDE]

REGISTERED
NO. _____

REGISTERED
\$ _____

**UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTIES OF KANE AND DUPAGE
CITY OF ST. CHARLES
[TAXABLE] GENERAL OBLIGATION CORPORATE PURPOSE [REFUNDING] BOND,
SERIES 2018[A][B]**

See Reverse Side for
Additional Provisions.

Interest Maturity Dated
Rate: ____% Date: December 1, 20__ Date: _____, 20__ CUSIP: 787758 ____

Registered Owner: CEDE & CO.

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS that the City of St. Charles, Kane and DuPage Counties, Illinois, a municipality, home rule unit, and political subdivision of the State of Illinois (the "City"), 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 (but subject to right of prior redemption), 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 June 1 and December 1 of each year, commencing _____ 1, 201_, until said Principal Amount is paid or duly provided for. The principal of this Bond is payable in lawful money of the United States of America upon presentation hereof at the office maintained for that purpose at Amalgamated Bank of Chicago located in the City of Chicago, Illinois, as paying agent and bond registrar (the

“Bond Registrar”). Payment of interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by the Bond Registrar at the close of business on the applicable Record Date. The Record Date shall be the 15th day of the month preceding any interest payment date. Interest 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 City and the Bond Registrar for so long as this Bond is held by a qualified securities clearing corporation as depository, or nominee, in Book Entry 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 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 City, represented by the Bonds, and including all other indebtedness of the City, howsoever evidenced or incurred, does not exceed any constitutional or statutory or other lawful limitation.

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 City of St. Charles, Kane and DuPage Counties, 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.

Mayor, City of St. Charles
Kane and DuPage Counties, Illinois

ATTEST:

City Clerk, City of St. Charles
Kane and DuPage Counties, Illinois

[SEAL]

[FORM OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the [Taxable] General Obligation Corporate Purpose [Refunding] Bonds, Series 2018[A][B], having a Dated Date of _____, 20__, of the City of St. Charles, Kane and DuPage Counties, Illinois.

AMALGAMATED BANK OF CHICAGO
Chicago, Illinois
as Bond Registrar

Date of Authentication: _____, 20__

By _____
Authorized Officer

[FORM OF BONDS - REVERSE SIDE]

This bond and each bond of the series of which it forms a part (the “*Bonds*”) are issued pursuant to the Illinois Municipal Code, as supplemented and amended and also the home rule powers of the City under Section 6 of Article VII of the Illinois Constitution of 1970; and in the event of conflict between the provisions of the code and home rule powers, the home rule powers shall be deemed to supersede the provisions of said code (collectively, the “*Act*”). The Bonds are being issued to pay the costs of the [2018A Project] [Refunding], all as more fully defined and described in proceedings adopted by the City Council of the City (the “*Corporate Authorities*”) and in an ordinance authorizing the issuance of the Bonds adopted by the Corporate Authorities on the 19th day of March, 2018 (as supplemented by the Bond Order for the Bonds executed in connection therewith, the “*Ordinance*”), which has been duly approved by the Mayor, and published, in all respects as by law required, to all the provisions of which the holder by acceptance of this Bond assents. For the prompt payment of this Bond, both principal and interest, at maturity or as called for redemption, the full faith and credit of the City are irrevocably pledged, and all taxable property in the City shall be subject to the levy of Ad Valorem Property Taxes, without limitation as to rate or amount, to pay the same.

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 City, represented by the Bonds, and including all other indebtedness of the City, howsoever evidenced or incurred, does not exceed any constitutional or statutory or other lawful limitation; and that provision has been made for the collection of the Ad Valorem Property Taxes in an amount sufficient to pay the principal of and interest on the Bonds, and further, that the City will properly

account for the Bond Moneys and will comply with all of the covenants and maintain the funds and accounts as provided by the Bond Ordinance.

This Bond is subject to provisions relating to redemption and notice thereof, and other terms of redemption; provisions relating to registration, transfer, and exchange; and such other terms and provisions relating to security and payment as are set forth in the Ordinance; to which reference is hereby expressly made, and to all the terms of which the registered owner hereof is hereby notified and shall be subject.

The City 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 City nor the Bond Registrar shall be affected by any notice to the contrary.

[FORM OF ASSIGNMENT]

ASSIGNMENT

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

--

Here insert Social Security Number,
Employer Identification Number or
other Identifying Number

(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 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.

Section 10. Security for the Bonds. The Bonds are general obligations of the City, for which the full faith and credit of the City are irrevocably pledged, and are payable from the levy of the Ad Valorem Property Taxes on all of the taxable property in the City, without limitation as to rate or amount.

Section 11. Tax Levy; Abatements. A. 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, in the years for which any of the Bonds are outstanding, a direct annual tax for the Bonds sufficient for that purpose (*the “ Ad Valorem Property Taxes”*) as shall be fully set forth in the Bond Order for the Bonds. Bond Moneys shall be applied to pay principal of and interest on said Bonds. Interest on or principal of the Bonds coming due at any time when there are insufficient Bond Moneys to pay the same shall be paid promptly when due from current funds on hand in advance of the deposit of the Ad Valorem Property Taxes; and when the Ad Valorem Property Taxes shall have been collected, reimbursement shall be made to said funds in the amount so advanced. The City covenants and agrees with the purchasers and registered owners of the Bonds that so long as any of the Bonds remain outstanding the City will take no action or fail to take any action which in any way would adversely affect the ability of the City to levy and collect the Ad Valorem Property Taxes. The City and its officers will comply with all present and future applicable laws in order to assure that the Ad Valorem Property Taxes may lawfully be levied, extended, and collected as provided herein.

B. In the event that funds from any lawful source are made available or determined to become available and are appropriated 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 same, the Corporate Authorities shall, by proper proceedings, direct the deposit of such moneys currently or when received into the Bond Fund and further direct the abatement of such taxes by the amount so deposited or to be deposited. A certified copy or other notification of any such proceedings abating taxes may then be filed with the County Clerks in a timely manner to effect such abatement.

Section 12. Filing with County Clerks. Promptly, after this Ordinance becomes effective and upon execution of the first Bond Order, a copy hereof, certified by the City Clerk, together with each executed Bond Order, shall be filed with the County Clerks. Under authority of this Ordinance, the County Clerks shall in and for each of the years as set forth in each and every Bond Order ascertain the rate percent required to produce the aggregate Ad Valorem Property Taxes levied in each of such years; and the County Clerks shall extend the same for collection on the tax books in connection with other taxes levied in such years in and by the City for general corporate purposes of the City; and in each of those years such annual tax shall be levied and collected by and for and on behalf of the City in like manner as taxes for general corporate purposes for such years are levied and collected, without limit as to rate or amount, and in addition to and in excess of all other taxes.

Section 13. Sale of Bonds; Bond Orders; Official Statement. A. The Designated Representatives are hereby authorized to proceed, without any further official authorization or direction whatsoever from the Corporate Authorities, to sell and deliver Bonds as herein provided. The Designated Representatives shall be and are hereby authorized and directed to sell the Bonds of any Series to the Purchaser at the Purchase Price, *provided, however,* that the following conditions shall also be met:

(1) The aggregate compensation to the Purchaser, not including other costs or expenses incurred and approved by the City and paid directly upon delivery of such Series of Bonds, shall not exceed 2.0% of the public offering price of such Series of Bonds.

(2) If requested by Bond Counsel, the Purchaser or placement agent shall provide advice (in the form of written certificate or report) that the terms of such Series of Bonds are fair and reasonable in light of current conditions in the market for Tax-exempt obligations, such as the Series 2018A Bonds or any of the Series 2018B Bonds issued on a Tax-exempt basis.

(3) The net present value savings derived from any Refunding evidenced by the Series 2018B Bonds (as shown in a written certificate or report delivered by Robert W. Baird), shall not be less than 3.0% of the face amount of the Refunded Bonds in fact so refunded.

Nothing in this Section shall require the Designated Representatives to sell the Bonds if in their judgment the conditions in the bond markets shall have markedly deteriorated from the time of adoption hereof, but the Designated Representatives shall have the authority to sell the Bonds in any event so long as the limitations set forth in this Ordinance shall have been met, and it is hereby further expressly provided that the Designated Representatives shall have the authority to

determine whether to sell the Bonds for the Refunding in more than one Series as hereinabove provided. Incidental to any sale of the Bonds, the Designated Representatives shall find and determine that no person holding any office of the City either by election or appointment, is in any manner financially interested, either directly, in his or her own name, or indirectly, in the name of any other person, association, trust or corporation, in the agreement with the Purchaser for the purchase of the Bonds.

B. Upon the sale of the Bonds of any Series, the Designated Representatives and any other officials of the City as shall be appropriate shall be and are hereby authorized and directed to approve or execute, or both, such documents of sale of the Bonds of such Series as may be necessary, including, without limitation, a Bond Order, Preliminary Official Statement, Official Statement, Bond Purchase Agreement, closing documents; such certifications, tax returns, and documentation as may be required by Bond Counsel, including, specifically, a tax agreement, to render their opinions as to the Tax-exempt status of the interest on any of the Bonds issued on a Tax-exempt basis, and documentation as may be advised by Bond Counsel as appropriate, to establish and maintain the Tax-exempt status of the interest on any of the Bonds issued on a Tax-exempt basis. The Preliminary Official Statement relating to the Bonds, such document to be in substantially the form customarily utilized by the City in previous financings, is hereby in all respects authorized and approved; and the proposed use by the Purchaser of an Official Statement (in substantially the form of the Preliminary Official Statement but with appropriate variations to reflect the final terms of the Bonds) is also hereby authorized and approved. The Bond Purchase Agreement for the sale of the Bonds in a negotiated underwriting is hereby in all respects authorized and approved. Any of the Designated Representatives are hereby each authorized to execute each Bond Purchase Agreement, such execution to constitute full and complete approval of all necessary or appropriate completions and revisions as shall appear therein. Upon the sale

of a Series of the Bonds, the Designated Representatives so acting shall prepare the Bond Order for same, which shall include the pertinent details of sale as provided herein, and which shall enumerate the levy of taxes to pay the Bonds, and such shall in due course be entered into the records of the City and made available to the Corporate Authorities. *The authority to sell the Bonds pursuant to any Bond Order as herein provided shall expire on September 19, 2018, provided, however, that the Corporate Authorities expressly provide that any Series 2018B Bonds issued on a Tax-exempt basis shall have a delivery date that is not sooner than 90 days prior to the earliest redemption date for the Prior Bonds and not later than such redemption date.*

Section 14. General Covenants. The City covenants and agrees with the registered owners of the Bonds that, so long as any Bonds remain outstanding and unpaid:

(a) The City 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 thereof and hereof.

(b) The City will preserve and protect the security and the rights of the Bondholders, 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 Bonds by the City, the Bonds shall be incontestable by the City.

(c) The City 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 Bonds of the rights and benefits provided in this Ordinance.

Section 15. Continuing Disclosure Undertaking. Any Designated Representative is hereby authorized, empowered, and directed to execute and deliver the Continuing Disclosure Undertaking in substantially the same form as provided by Bond Counsel and approved by the City Attorney, or with such changes therein as the Designated Representative executing the Continuing Disclosure Undertaking on behalf of the City shall approve, his or her execution thereof to constitute conclusive evidence of his or her approval of such changes. When the Continuing Disclosure Undertaking is executed and delivered on behalf of the City as herein provided, the Continuing Disclosure Undertaking will be binding on the City and the officers, employees, and agents of the City, and the officers, employees, and agents of the City 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 remedies 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 City to comply with its obligations under the Continuing Disclosure Undertaking.

Section 16. Creation of Funds and Appropriations and Approval of Escrow Agreement.

A. BOND FUND. There is hereby created a “*Series 2018[Series Designation] Bonds Sinking Fund Account*” for each Series of the Bonds (each the “[*Series Designation*]Bond Fund” for said Series), which shall be the fund for the payment of principal of and interest on the relevant Series of the Bonds. Accrued interest received upon delivery of the Bonds, if any, shall be deposited into the relevant Bond Fund and be applied to pay first interest coming due on said Series of Bonds.

The Ad Valorem Property Taxes shall either be deposited into the relevant Bond Fund and used solely and only for paying the principal of and interest on the Bonds or be used to reimburse a fund or account from which advances to the Bond Fund may have been made to pay principal of or interest on the Bonds prior to receipt of Ad Valorem Property Taxes. Interest income or investment profit earned in each Bond Fund shall be retained in said Bond Fund for payment of the principal of or interest on the relevant Series of Bonds on the interest payment date next after such interest or profit is received or, to the extent lawful and as determined by the Corporate Authorities, transferred to such other fund as may be determined. The City hereby pledges, as equal and ratable security for the Bonds, all present and future proceeds of the Ad Valorem Property Taxes for the sole benefit of the registered owners of the Bonds, subject to the reserved right of the Corporate Authorities to transfer certain interest income or investment profit earned in each Bond Fund to other funds of the City, as described in the preceding sentence.

B. EXPENSE FUND. The amount necessary from the proceeds of the Bonds, together with such money in the bond funds for the Refunded Bonds as may be advisable for the purpose, shall be used to pay expenses of issuance of the Bonds and shall be disbursed directly upon the delivery of the Bonds or shall be deposited into a separate fund for each Series, each hereby created, designated the “[*Series Designation*]Expense Fund” to be held by the City and used to pay expenses of issuing the respective Series of Bonds. Disbursements shall be made by Purchaser at the direction of the Treasurer upon the delivery of any Series of Bonds or by the Treasurer from time to time from such fund as necessary with no further official action of the Corporate Authorities, and any funds remaining on deposit in and to the credit of each Expense Fund on the date which is six months after delivery of the Bonds shall be transferred to the corresponding Bond Fund and used to pay interest next coming due on the Bonds.

C. PROJECT FUND. The City hereby creates a separate and segregated fund held by the City to be known as the “2018A Capital Project Fund” (the “Project Fund”). The amount of the proceeds of the Series 2018A Bonds as set forth in a relevant Bond Order shall be set aside into the Project Fund. The Treasurer is hereby authorized to disburse monies from the Project Fund for payment of costs of the 2018A Capital Project in accordance with normal City disbursement procedures with no further official action of the Corporate Authorities.

Without further official action of or direction by the Corporate Authorities, if necessary to ensure the timely payment of principal of and interest on the Series 2018A Bonds, monies on deposit in the Project Fund may be transferred by the Treasurer at any time to the Series 2018A Bond Fund in anticipation of the collection of the Ad Valorem Property Taxes. Any amount so transferred shall be promptly repaid upon the collection of the Ad Valorem Property Taxes.

D. ESCROW AGREEMENT. The amount necessary from the proceeds of the Series 2018B Bonds shall be used to provide for the refunding of the respective Refunded Bonds pursuant to the provisions of an Escrow Agreement, all in accordance with the provisions of such Escrow Agreement, in substantially the same form as provided by Bond Counsel and approved by the City Attorney, made a part hereof by this reference, and hereby approved. The Purchaser, the Escrow Agent and Bond Counsel, be and the same are each hereby authorized to act as agent for the City in the purchase of the Government Securities described and set forth in such Escrow Agreement. Any amounts remaining from the proceeds of the Series 2018B Bonds after accomplishing the Refunding shall be set aside in the Series 2018B Bond Fund for the Refunding Bonds, applied to pay next interest on the Series 2018B Bonds, and taxes abated accordingly.

E. ALTERNATE FUNDS. Alternatively to the creation of any Bond Fund, the Project Fund or any Expense Fund, the Treasurer may allocate Bond Moneys or the proceeds of the Bonds for expenses to one or more related funds of the City already in existence and in

accordance with good accounting practice; *provided, however*, that this shall not relieve the City or the Treasurer of the duty to account and invest for the Bond Moneys and the proceeds of the Bonds as herein provided, as if such funds had in fact been created.

Section 17. General Tax Covenants. This Section and Section 18 shall apply to the Series 2018A Bonds and to any of the Series 2018B Bonds issued on a Tax-exempt basis. The City 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 Code, 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 City 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 City may be treated as a “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. In furtherance of the foregoing provisions, but without limiting their generality, the City agrees: (a) through its officers, to make such further specific covenants, representations as shall be truthful, 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; (c) to consult with such Bond Counsel and to comply with such advice as may be given; (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 its officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the City in such compliance.

Section 18. Certain Specific Tax Covenants.

A. None of the Bonds shall be a “private activity bond” as defined in Section 141(a) of the Code; and the City certifies, represents, and covenants as follows:

(1) Not more than 5% of the net proceeds and investment earnings of the Bonds is to be used, directly or indirectly, in any activity carried on by any person other than a state or local governmental unit.

(2) Not more than 5% of the amounts necessary to pay the principal of and interest on the Bonds will be derived, directly or indirectly, from payments with respect to any private business use by any person other than a state or local governmental unit.

(3) None of the proceeds of the Bonds is to be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit.

(4) Except as may be permitted by reference to the text above at paragraph A(1) of this Section, no user of the real or personal property of the City acquired, constructed, or improved with the proceeds of the Bonds, other than the City or another governmental unit, will use the same on any basis other than the same basis as the general public; and except as noted, no person, other than the City or another governmental unit, will be a user of such property as a result of (i) ownership or (ii) actual or beneficial use pursuant to a lease, a management or incentive payment contract other than as expressly permitted by the Code, or (iii) any other arrangement.

B. The Bonds shall not be “arbitrage bonds” under Section 148 of the Code; and the City certifies, represents, and covenants as follows:

(1) Except for the Bond Fund, the City has not created or established and will not create or establish any sinking fund reserve fund or any other similar fund to provide for the payment of the Bonds. The Bond Fund for each series of the Bonds has been

established and will be funded in a manner primarily to achieve a proper matching of revenues and debt service and will be depleted at least annually to an amount not in excess of 1/12th the particular annual debt service on the Bonds. Money deposited into the Bond Fund for the Bonds will be spent within a 13-month period beginning on the date of deposit, and investment earnings in said Bond Fund will be spent or withdrawn from said Bond Fund within a one-year period beginning on the date of receipt.

(2) Amounts of money related to the Bonds required to be invested at a yield not materially higher than the yield on the Bonds, as determined pursuant to such tax certifications or agreements as the City officers may make in connection with the issuance of the Bonds, shall be so invested; and appropriate City officers are hereby authorized to make such investments.

(3) Unless an applicable exception to Section 148(f) of the Code, relating to the rebate of “excess arbitrage profits” to the United States Treasury (the “*Rebate Requirement*”) is available to the City, the City will meet the Rebate Requirement.

(4) Relating to applicable exceptions, any City officer charged with issuing the Bonds is hereby authorized to make such elections under the Code as such officer shall deem reasonable and in the best interests of the City. If such election may result in a “penalty in lieu of rebate” as provided in the Code, and such penalty is incurred (the “*Penalty*”), then the City shall pay such Penalty.

C. A portion of the proceeds of the Bonds may be used to pay, directly or indirectly, in whole or in part, for expenditures for which an intent to reimburse itself was properly declared under Treasury Regulations Section 1.150-2. Additionally, this Ordinance is in itself a declaration of official intent under Treasury Regulations Section 1.150-2 as to all costs of the 2018A Project or the Refunding paid after the date hereof and prior to issuance of the Bonds.

D. The City reserves the right to use or invest moneys in connection with the Bonds in any manner, notwithstanding the representations and covenants relating to the Tax-exempt status of the Bonds, provided it shall first have received an opinion from Bond Counsel (or, in the event Bond Counsel is unable or unwilling to provide such opinion, then with another firm having a nationally recognized expertise in matters relating to Tax-exempt obligations) to the effect that use or investment of such moneys or the changes in or use of such infrastructure as contemplated will not result in loss or impairment of the status for the Bonds.

Section 19. Taxes Previously Levied. The taxes previously levied to pay principal of and interest on the Refunded Bonds for the years 2018 and thereafter, to the extent such principal and interest is provided for from the proceeds of the Bonds or otherwise as hereinabove described, shall be abated. The filing of a certificate of abatement with the County Clerks shall constitute authority and direction for the County Clerks to make such abatement. The taxes so levied for the Refunded Bonds for the years 2017 and preceding, which have been or are to be collected, shall be applied to the payment either of the Refunded Bonds for which collected or to the payment of the Series 2018B Bonds.

Section 20. Call of the Prior Bonds. In accordance with the redemption provisions of the ordinance authorizing the issuance of the Prior Bonds, the Corporate Authorities do hereby make provision for the payment of and do hereby call (subject only to the delivery of the Series 2018B Bonds and proper funding of the escrow account for the Refunded Bonds) the Refunded Bonds for redemption on December 1, 2020, as provided by the terms of the Escrow Agreement.

Section 21. Municipal Bond Insurance. In the event the payment of principal of and interest on a Series of the Bonds is insured pursuant to a municipal bond insurance policy (a “*Municipal Bond Insurance Policy*”) issued by a bond insurer (a “*Bond Insurer*”), and as long as such Municipal Bond Insurance Policy shall be in full force and effect, the City and the Bond

Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of such Bonds, subrogation of the rights of the Bondholders to the Bond Insurer when holding such Bonds, amendment hereof, or other terms, as approved by any of the City Officers on advice of counsel, his or her approval to constitute full and complete acceptance by the City of such terms and provisions under authority of this Section.

Section 22. Rights and Duties of Bond Registrar. If requested by the Bond Registrar, any officer of the City is authorized to execute standard form of agreements between the City and the Bond Registrar with respect to the obligations and duties of the Bond Registrar under this Ordinance. In addition to the terms of such agreements and subject to modification thereby, the Bond Registrar by acceptance of duties under this Ordinance agree (a) to act as bond registrar, paying agent, authenticating 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 City upon request, but otherwise to keep such list confidential to the extent permitted by law; (c) to cancel and/or destroy Bonds which have been paid at maturity or submitted for exchange or transfer; (d) to furnish the City at least annually a certificate with respect to Bonds cancelled and/or destroyed; and (e) to furnish the City at least annually an audit confirmation of Bonds paid, Bonds Outstanding and payments made with respect to interest on the Bonds. The City covenants with respect to the Bond Registrar, and the Bond Registrar further covenants and agrees as follows:

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

(B) The Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Ordinance by executing the certificate of authentication on any Bond, and by such execution the Bond Registrar shall be deemed to have certified to the City that it has all requisite power to accept and has accepted such duties and obligations not only with respect to the Bond so authenticated but with respect to all the Bonds. Any Bond Registrar shall be the agent of the City and shall not be liable in connection with the performance of its duties except for its own negligence or willful wrongdoing. Any Bond Registrar shall, however, be responsible for any representation in its certificate of authentication on Bonds.

(C) The City may remove the Bond Registrar at any time. In case at any time the Bond Registrar shall resign, shall be removed, shall become incapable of acting, or shall be adjudicated a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Bond Registrar or of the property thereof shall be appointed, or if any public officer shall take charge or control of the Bond Registrar or of the property or affairs thereof, the City covenants and agrees that it will thereupon appoint a successor Bond Registrar. The City shall give notice of any such appointment made by it to each registered owner of any Bond within twenty days after such appointment in any reasonable manner as the City shall select. Any Bond Registrar appointed under the provisions of this Section shall be a bank, trust company, or national banking association maintaining a corporate trust office in Illinois or New York, and having capital and surplus and undivided profits in excess of \$100,000,000. The City Clerk of the City is hereby directed to file a certified copy of this Ordinance with the Bond Registrar.

Section 23. Defeasance. Any Bond or Bonds which (a) are paid and cancelled, (b) which have matured and for which sufficient sums have been deposited with the Bond

Registrar to pay all principal and interest due thereon, or (c) for which sufficient funds and Defeasance Obligations have been deposited with the Bond Registrar or similar institution to pay, taking into account investment earnings on such obligations, all principal of and interest on such Bond or Bonds when due at maturity, pursuant to an irrevocable escrow or trust agreement, shall cease to have any lien on or right to receive or be paid from the Ad Valorem Property Taxes 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 of the Outstanding Bonds. All covenants relative to the Tax-exempt status of the Bonds; and payment, registration, transfer, and exchange; are expressly continued for all Bonds whether Outstanding Bonds or not. For purposes of this Section, “*Defeasance Obligations*” means (a) direct and general full faith and credit obligations of the United States Treasury (“*Directs*”), (b) certificates of participation or trust receipts in trusts comprised wholly of Directs or (c) other obligations unconditionally guaranteed as to timely payment by the United States Treasury.

Section 24. Publication of Ordinance. A full, true, and complete copy of this Ordinance shall be published within ten days after passage in pamphlet form by authority of the Corporate Authorities.

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. Superseder and Effective Date. All ordinances, resolutions, and orders, or parts thereof, in conflict with this Ordinance, are to the extent of such conflict hereby superseded; and this Ordinance shall be in full force and effect immediately upon its passage, approval and publication.

ADOPTED: this 19th day of March, 2018

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED: March 19, 2018

Mayor, City of St. Charles
Kane and DuPage Counties, Illinois

Published in pamphlet form by authority of the City Council on March __, 2018.

ATTEST:

City Clerk, City of St. Charles
Kane and DuPage Counties, Illinois

EXTRACT OF MINUTES of the regular public meeting of the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, held at the City Hall, located at 2 East Main Street, in said City, at 7:00 p.m., on Monday, the 19th day of March, 2018.

The Mayor called the meeting to order and directed the City Clerk to call the roll.

Upon the roll being called, the Mayor, being physically present at such place and time, and the following Aldermen, being physically present at such place and time, answered present:

The following Aldermen were allowed by a majority of the Aldermen in accordance with and to the extent allowed by rules adopted by the City Council to attend the meeting by video or audio conference: _____

No Alderman was denied permission to attend the meeting by video or audio conference.

The following Aldermen were absent and did not participate in the meeting in any manner or to any extent whatsoever: _____

* * * * *

There being a quorum present, various business of the City Council was conducted.

* * * * *

The City Council then discussed a proposed bond issuance for refunding and capital improvement purposes for the benefit of the City and considered an ordinance providing for the issuance of General Obligation Corporate Purpose Bonds and General Obligation Corporate Purpose Refunding Bonds of the City, authorizing the execution of a bond order in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds, providing for the execution of an escrow agreement

in connection with such issuance and further providing for the sale of each series of said bonds to the purchaser thereof.

Thereupon, the Mayor presented an ordinance entitled:

AN ORDINANCE providing for the issuance of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A and not to exceed \$4,800,000 General Obligation Corporate Purpose Refunding Bonds, Series 2018B, of the City of St. Charles, Kane and DuPage Counties, Illinois, authorizing the execution of a bond order and escrow agreement in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds and authorizing the sale of each series of said bonds to the purchaser thereof.

(the "*Bond Ordinance*").

Alderman _____ moved and Alderman _____ seconded the motion that the Bond Ordinance as presented be adopted.

A City Council discussion of the matter followed. During the discussion, _____, gave a public recital of the nature of the matter, which included a reading of the title of the ordinance and statements (1) that the ordinance provided for the issuance of one or more series of general obligation bonds for the purpose of paying the costs of refunding certain outstanding general obligation corporate purpose bonds and for the purpose of providing for capital improvements at various locations throughout the City, (2) that the bonds are issuable without referendum pursuant to the home rule powers of the City, (3) that the ordinance provides for the sale of the bonds by certain representatives of the City and the execution by one or more bond orders in connection therewith, (4) that the ordinance further provides the levy of taxes to pay the bonds and approves an Escrow Agreement to accomplish the refunding, and (5) that the ordinance provides many details for the bonds, including tax-exempt status covenants, provision for terms and form of the bonds, and appropriations.

The Mayor directed that the roll be called for a vote upon the motion to adopt the ordinance.

Upon the roll being called, the following Aldermen voted AYE: _____

_____ and the following Aldermen voted NAY: _____

WHEREUPON, the Mayor declared the motion carried and the ordinance adopted, and henceforth did approve and sign the same in open meeting, and did direct the City Clerk to record the same in full in the records of the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois.

* * * * *

Other business was duly transacted at said meeting.

* * * * *

Upon motion duly made and carried, the meeting adjourned.

City Clerk

STATE OF ILLINOIS)
) SS
COUNTY OF KANE)

CERTIFICATION OF AGENDA, MINUTES AND ORDINANCE

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk of the City of St. Charles, Kane and DuPage Counties, Illinois (the “City”), and as such official I am the keeper of the official journal of proceedings, books, records, minutes, and files of the City and of the City Council (the “Corporate Authorities”) of the City.

I do further certify that the foregoing extract of minutes is a full, true, and complete transcript of that portion of the minutes of the meeting (the “Meeting”) of the Corporate Authorities held on the 19th day of March, 2018, insofar as the same relates to the adoption of an ordinance, numbered _____, entitled:

AN ORDINANCE providing for the issuance of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A and not to exceed \$4,800,000 General Obligation Corporate Purpose Refunding Bonds, Series 2018B, of the City of St. Charles, Kane and DuPage Counties, Illinois, authorizing the execution of a bond order and escrow agreement in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds and authorizing the sale of each series of said bonds to the purchaser thereof.

(the “Ordinance”) a true, correct, and complete copy of which Ordinance as adopted at the Meeting appears in the foregoing transcript of the minutes of the Meeting.

I do further certify that the deliberations of the Corporate Authorities on the adoption of the Ordinance were taken openly; that the vote on the adoption of the Ordinance was taken openly; that the Meeting was held at a specified time and place convenient to the public; that notice of the Meeting was duly given to all newspapers, radio or television stations, and other news media requesting such notice; that an agenda (the “Agenda”) for the Meeting was posted at

the location where the Meeting was held and at the principal office of the Corporate Authorities (both such locations being at City Hall) at least 48 hours in advance of the Meeting and also not later than 5:00 p.m. on the Friday preceding the Meeting; that said Agenda contained a separate specific item relating to the consideration of the Ordinance and *that a true, correct, and complete copy of said Agenda as so posted is attached to this certificate*; that the Meeting was called and held in strict compliance with the provisions of the Open Meetings Act 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 Act and Code and with all of the procedural rules of the Corporate Authorities in the adoption of the Ordinance.

IN WITNESS WHEREOF I hereunto affix my official signature and the seal of the City this 19th day of March, 2018.

[SEAL]

City Clerk

STATE OF ILLINOIS)
) SS
COUNTY OF KANE)

CERTIFICATE OF PUBLICATION IN PAMPHLET FORM

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk of the City of St. Charles, Kane and DuPage Counties, Illinois (the “City”), and as such official I am the keeper of the official journal of proceedings, books, records, minutes, and files of the City and of the City Council (the “Corporate Authorities”) of the City.

I do further certify that on the _____ day of March, 2018, there was published in pamphlet form, by authority of the City Council, a true, correct, and complete copy of Ordinance Number _____ of the City entitled:

AN ORDINANCE providing for the issuance of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A and not to exceed \$4,800,000 General Obligation Corporate Purpose Refunding Bonds, Series 2018B, of the City of St. Charles, Kane and DuPage Counties, Illinois, authorizing the execution of a bond order and escrow agreement in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds and authorizing the sale of each series of said bonds to the purchaser thereof.

and providing for the issuance of said bonds, and that the ordinance as so published was on that date readily available for public inspection and distribution, in sufficient number so as to meet the needs of the general public, at my office as City Clerk located in the City.

IN WITNESS WHEREOF I have affixed hereto my official signature and the seal of the City this _____ day of March, 2018.

City Clerk

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF KANE)

CERTIFICATE OF FILING

I do hereby certify that I am the duly qualified and acting County Clerk of The County of Kane, Illinois, and as such officer I do hereby certify that on the ____ day of _____, 2018, there was filed in my office a properly certified copy of Ordinance Number _____, duly adopted by the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, on the 19th day of March, 2018, and entitled:

AN ORDINANCE providing for the issuance of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A and not to exceed \$4,800,000 General Obligation Corporate Purpose Refunding Bonds, Series 2018B, of the City of St. Charles, Kane and DuPage Counties, Illinois, authorizing the execution of a bond order and escrow agreement in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds and authorizing the sale of each series of said bonds to the purchaser thereof.

and approved by the Mayor of said City, and that the same has been deposited in, and all as appears from, the official files and records of my office.

IN WITNESS WHEREOF I have hereunto affixed my official signature and the seal of The County of Kane, Illinois, this ____ day of _____, 2018.

County Clerk of The County
of Kane, Illinois

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

CERTIFICATE OF FILING

I do hereby certify that I am the duly qualified and acting County Clerk of The County of DuPage, Illinois, and as such officer I do hereby certify that on the ____ day of _____, 2018, there was filed in my office a properly certified copy of Ordinance Number _____, duly adopted by the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, on the 19th day of March, 2018, and entitled:

AN ORDINANCE providing for the issuance of not to exceed \$22,900,000 General Obligation Corporate Purpose Bonds, Series 2018A and not to exceed \$4,800,000 General Obligation Corporate Purpose Refunding Bonds, Series 2018B, of the City of St. Charles, Kane and DuPage Counties, Illinois, authorizing the execution of a bond order and escrow agreement in connection therewith, providing for the levy and collection of a direct annual tax sufficient for the payment of the principal of and interest on said bonds and authorizing the sale of each series of said bonds to the purchaser thereof.

and approved by the Mayor of said City, and that the same has been deposited in, and all as appears from, the official files and records of my office.

IN WITNESS WHEREOF I have hereunto affixed my official signature and the seal of The County of DuPage, Illinois, this ____ day of _____, 2018.

County Clerk of The County
of DuPage, Illinois

[SEAL]