

*CITY OF EAST MOLINE,
ROCK ISLAND COUNTY, ILLINOIS*

ORDINANCE NO. 11-__

ORDINANCE AUTHORIZING THE ISSUANCE AND PROVIDING FOR THE SALE AND DELIVERY FROM TIME TO TIME OF UP TO \$10,000,000 GENERAL OBLIGATION ALTERNATE BONDS (WATERWORKS AND SEWERAGE SYSTEM ALTERNATE REVENUE SOURCE), SERIES 2011, OF THE CITY OF EAST MOLINE, ROCK ISLAND COUNTY, ILLINOIS, FOR THE PURPOSE OF PAYING THE COSTS OF IMPROVING AND EXTENDING THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY; PROVIDING FOR THE COLLECTION, SEGREGATION AND APPLICATION OF THE REVENUES OF THE SYSTEM AND THE LEVY OF A DIRECT ANNUAL TAX FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE SERIES 2011 BONDS; PROVIDING PROCEDURES FOR THE ABATEMENT OF SUCH TAX BASED ON THE AVAILABILITY OF SUCH REVENUES; DELEGATING TO AUTHORIZED OFFICERS THE AUTHORITY TO DETERMINE TO ISSUE AND DELIVER PORTIONS OF THE SERIES 2011 BONDS FROM TIME TO TIME AND TO DETERMINE CERTAIN TERMS OF THE SERIES 2011 BONDS WITHIN PARAMETERS ESTABLISHED IN THIS ORDINANCE; AND CONCERNING RELATED MATTERS.

ADOPTED BY
THE CITY COUNCIL
OF THE
CITY OF EAST MOLINE
ON APRIL 18, 2011

TABLE OF CONTENTS

		Page
Section 1.	Findings and Determinations	1
Section 2.	Definitions; Rules of Interpretation	8
Section 3.	Authorization of the Series 2011 Bonds	12
Section 4.	Denominations, Numbers, Designation and Date	12
Section 5.	Terms of the Series 2011 Bonds	12
Section 6.	Redemption.....	12
Section 7.	Execution and Authentication of Series 2011 Bonds.....	15
Section 8.	Paying Agent, Authenticating Agent and Bond Registrar	15
Section 9.	Payment of Principal and Interest.....	15
Section 10.	Registration, Transfer and Exchange of Series 2011 Bonds.....	15
Section 11.	Persons Treated as Owners of Series 2011 Bonds	16
Section 12.	Form of the Series 2011 Bonds.....	17
Section 13.	Nature of Obligation	17
Section 14.	Treatment of Series 2011 Bonds As Indebtedness.....	17
Section 15.	Sale of Series 2011 Bonds; Determination to Issue and Determination of Certain Terms of Series 2011 Bonds; Ratification of Certain Prior Actions; Authentication and Delivery of Series 2011 Bonds	17
Section 16.	Continuation of System Revenue Fund and Accounts; Flow of Funds	19
Section 17.	Bond Fund – Accounts	20
Section 18.	Application of Bond Proceeds	23
Section 19.	Tax Levy	23
Section 20.	Filing of Tax Levy; Duties of County Clerk.....	24
Section 21.	Abatement of Pledged Taxes	24
Section 22.	Pledge of Pledged Revenues.....	25
Section 23.	Additional Obligations Payable From Pledged Revenues	25
Section 24.	Refunding Bonds	26
Section 25.	Defeasance.....	26
Section 26.	This Bond Ordinance a Contract.....	26
Section 27.	Bond Registrar Covenants	26
Section 28.	Covenants Relating to System Revenues.....	27
Section 29.	General Covenants	28
Section 30.	Registered Form.....	29
Section 31.	Additional Authority.....	29
Section 32.	Conflicting Ordinances, Etc.....	30
Section 33.	Severability	30

TABLE OF CONTENTS
(continued)

	Page
Section 34. Effective Date	30
EXHIBIT A IEPA Loan Agreement.....	A-1
EXHIBIT B [Form of Series 2011 Bond]	B-1

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BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EAST MOLINE, ROCK ISLAND COUNTY, ILLINOIS, as follows:

Section 1. Findings and Determinations. It is found and declared by the City Council (the "**City Council**") of the City of East Moline, Rock Island County, Illinois (the "**City**"), as follows:

(a) The City is a duly organized and existing municipality of the State of Illinois, and is now operating under and pursuant to the provisions of the Illinois Municipal Code, as amended (65 ILCS 5/1-1-1 *et seq.*; the "**Municipal Code**"), and is a "governmental unit" as defined in Section 2(i) of the Local Governmental Debt Reform Act of the State of Illinois, as amended, 30 ILCS 350/1 *et seq.* (the "**Debt Reform Act**"). Under the Municipal Code, the City Council is the corporate authority and the governing body of the City.

(b) The City currently owns and operates a combined waterworks and sewerage system (the "**System**") under and pursuant to the provisions of Division 139 of Article 11 of the Code (the "**Revenue Bond Act**").

(c) The City Council has determined that it is advisable, necessary and in the best interests of the City, its residents and the users of the System, in order to promote and protect the public health, welfare, safety and convenience, to improve and extend the System including by acquiring, constructing and installing various capital improvements to the System including, in connection with those improvements and extensions, all mechanical, electrical and other facilities and services necessary, useful or advisable to the program of improvements and extensions and, incidental to those project costs, to pay bond discount, interest, bond reserve requirements, and legal, other financing and related administrative fees and costs (together, the "**Project**"), all in accordance with preliminary estimates of costs which have been prepared for

the City by McClure Engineering Associates, Inc., the City's consulting engineers, and approved by the City Council and are now on file in the office of the City Clerk for public inspection. The period of usefulness of the Project on the date of adoption of this Bond Ordinance is not less than 40 years.

(d) The estimated costs of the Project, including all of the costs previously described, are now anticipated to be not less than \$39,500,000 plus estimated investment earnings on the borrowing provided for in this Bond Ordinance during the time prior to the expenditure of such amount.

(e) The City does not have sufficient funds on hand or available from other sources with which to pay the costs of the Project and the City's costs incurred in connection with the borrowing of money provided for in this Bond Ordinance, and it is necessary to issue additional obligations of the City to pay such costs.

(f) Undertaking the Project is a lawful corporate purpose of the City, including pursuant to authority granted by the Revenue Bond Act.

(g) The Revenue Bond Act authorizes the City to issue waterworks and sewerage revenue bonds of the City, payable solely from the revenues derived from the operation of the combined waterworks and sewerage system, for the purpose of defraying the cost of acquiring, constructing, extending or improving a combined waterworks and sewerage system, subject to the right of "backdoor referendum" as provided in the Revenue Bond Act.

(h) In accordance with the Revenue Bond Act, the City Council, on October 2, 2006, duly adopted Ordinance No. 06-23 (the "**Revenue Bond Authorizing Ordinance**") entitled:

AN ORDINANCE AUTHORIZING THE ISSUANCE OF WATERWORKS AND SEWERAGE REVENUE BONDS OF THE CITY OF EAST MOLINE, ROCK ISLAND COUNTY, ILLINOIS, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$39,500,000, FOR THE PURPOSE OF PAYING THE COSTS OF IMPROVING AND EXTENDING THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY; PROVIDING FOR THE PUBLICATION OF PUBLIC NOTICE OF INTENT TO ISSUE SUCH BONDS; REPEALING ORDINANCE NO. 06-17; AND CONCERNING RELATED MATTERS.

authorizing the issuance of waterworks and sewerage revenue bonds of the City (the "**Waterworks and Sewerage Revenue Bonds**") under the Revenue Bond Act in an amount not to exceed \$39,500,000 to finance the Project.

(i) The *Daily Dispatch* is a daily newspaper published in the City of Moline, Illinois, and of general circulation in the City, that is qualified to publish legal notices under the Notice by Publication Act. There is no newspaper published and of general circulation in the City that is qualified to publish legal notices.

(j) On October 9, 2006, the Revenue Bond Authorizing Ordinance, together with a notice of intent to issue the Waterworks and Sewerage Revenue Bonds, was published in the *Daily Dispatch* and an affidavit evidencing the publication of the Revenue Bond Authorizing Ordinance and the notice of intent on that date has been presented to the City Council and made a part of the permanent records of the City.

(k) Section 15 of the Debt Reform Act authorizes the City to issue its general obligation alternate bonds in lieu of the Waterworks and Sewerage Revenue Bonds and payable from the Pledged Revenues (defined below) for the purpose of paying the costs of the Project in accordance with the procedures set forth in that section, subject to the right of "backdoor referendum" as provided in the Debt Reform Act.

(l) In accordance with the provisions of the Debt Reform Act, the City Council, on October 2, 2006, duly adopted Ordinance No. 06-24 (the "**Alternate Bond Authorizing Ordinance**") entitled:

AN ORDINANCE AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION ALTERNATE BONDS (WATERWORKS AND SEWERAGE SYSTEM ALTERNATE REVENUE SOURCE) OF THE CITY OF EAST MOLINE, ROCK ISLAND COUNTY, ILLINOIS, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$39,500,000, FOR THE PURPOSE OF PAYING THE COSTS OF IMPROVING AND EXTENDING THE WATERWORKS AND SEWERAGE SYSTEM OF THE CITY; PROVIDING FOR THE PUBLICATION OF PUBLIC NOTICE OF INTENT TO ISSUE SUCH BONDS; CALLING A PUBLIC HEARING WITH RESPECT TO SUCH BONDS AND PROVIDING FOR PUBLIC NOTICE OF THE HEARING; REPEALING ORDINANCE NO. 06-18; AND CONCERNING RELATED MATTERS.

authorizing the issuance of General Obligation Alternate Bonds (Waterworks and Sewerage System Alternate Revenue Source) (the "**Alternate Bonds**") payable from the Pledged Revenues as provided in the Debt Reform Act in an amount not to exceed \$39,500,000.

(m) On October 9, 2006, the Alternate Bond Authorizing Ordinance, together with a notice of intent to issue the Alternate Bonds, was published in the *Daily Dispatch*, and an affidavit evidencing the publication of the Alternate Bond Authorizing Ordinance and the notice of intent on that date has been presented to the City Council and made a part of the permanent records of the City.

(n) Pursuant to the requirements of the Bond Issue Notification Act, 30 ILCS 352/1 *et seq.*, as amended, and Sections 6 and 7 of the Alternate Bond Authorizing Ordinance, on October 9, 2006, notice of a public hearing concerning the intention of the City Council to issue the Alternate Bonds was published in the *Daily Dispatch*, as part of the publication of the Alternate Bond Authorizing Ordinance.

(o) The City Council held the public hearing for which published public notice was given as described in paragraph (n) on November 6, 2006, beginning at 7:00 o'clock

p.m. at the City Hall, 915 Sixteenth Avenue, East Moline, Illinois. At the public hearing, the City Council explained the reasons for the proposed financing and permitted persons desiring to be heard an opportunity to present written or oral testimony within reasonable time limits, and all persons desiring to be heard were heard. At least seven days have passed since the public hearing was held and the City Council is now authorized under the Bond Issue Notification Act to adopt this Bond Ordinance.

(p) On or before November 8, 2006 (the date that was 30 days after the date of publication of the Revenue Bond Authorizing Ordinance), there were filed with the City Clerk petitions in the form prescribed by the Revenue Bond Authorizing Ordinance signed by more than 1,204 registered voters of the City asking that the question (the "**Revenue Bond Question**") of acquiring, constructing, improving and extending the System and issuing the Revenue Bonds be submitted to referendum.

(q) On or before November 8, 2006 (the date that was 30 days after the date of publication of the Alternate Bond Authorizing Ordinance), there were filed with the City Clerk petitions in the form prescribed by the Alternate Bond Authorizing Ordinance signed by more than 903 registered voters of the City asking that the question (the "**Alternate Bond Question**") of issuing the Alternate Bonds be submitted to referendum.

(r) On December 18, 2006, the City Council duly adopted Resolution No. 06-66 entitled:

A RESOLUTION OF THE CITY OF EAST MOLINE, ROCK ISLAND COUNTY, ILLINOIS, PROVIDING FOR THE CERTIFICATION OF TWO QUESTIONS TO THE COUNTY CLERK OF ROCK ISLAND COUNTY, ILLINOIS; AND CONCERNING RELATED MATTERS.

providing for referendums to be held in the City at the consolidated election to be held on April 17, 2006 on the public questions described in subsections (p) and (q) above and directing the City Clerk (or in her absence the Deputy City Clerk) to certify the Revenue Bond Question and the Alternate Bond Question (together, the "**Questions**") to the County Clerk (the "**County Clerk**") of The County of Rock Island, Illinois, in time for the referendums to be held on the Questions on that date. Resolution No. 06-66 was amended in certain respects by Resolution No. 07-02 duly adopted by the City Council at its regular meeting on February 5, 2007.

(s) The County Clerk (the "**County Clerk**") of Rock Island County, Illinois (the "**County**"), caused notice of the submission of each of the Questions at the April 17, 2006, consolidated election to the voters of the City to be given in accordance with the requirements of Section 12-4 and Section 12-5 of the Election Code of the State of Illinois (the "**Election Code**") by publishing a notice in the form required by law once on April 5, 2006, in *Daily Dispatch*. The *Daily Dispatch* is a local community newspaper published in the City of Moline, Illinois, within the County and having a general circulation in the City and the County as required by Sections 12-4 and 12-5 of the Election Code. There is no newspaper of general circulation published in the City. The County Clerk also caused a specimen of the ballot label to be

published in two newspapers of general circulation in the County as required by Section 24A-18 of the Election Code.

(t) The election on the Questions was properly and legally held and conducted on April 17, 2006, in the City at the precincts and polling places established by the County Board of the County (the "**County Board**") by the judges of election and clerks appointed by the County Board to conduct the election. The Questions submitted at the election were submitted upon proper ballots as required by the Election Code.

(u) The Canvassing Board met on May 3, 2007, canvassed the official returns of the election on each of the Questions as received from the County Clerk of the County and determined the results of the election to have been in favor of each of the questions. At the election, 669 electors voted in favor of the Revenue Bond Question and 536 electors voted against the Revenue Bond Question; and 665 electors voted in favor of the Alternate Bond Question and 534 electors voted against the Alternate Bond Question.

(v) The question of authorizing the City to acquire, construct, improve and extend the municipal waterworks and sewerage system and to issue \$39,500,000 of bonds payable from the revenues of the system for the purpose of paying the costs of doing so, and related costs and expenses, in the form of the Revenue Bond Question was submitted to the electors of the City at the consolidated election held on April 17, 2006, and was approved by a majority of the electors voting upon the question. Accordingly, the City is authorized to proceed with the Project and to issue the Waterworks and Sewerage Revenue Bonds.

(w) The question of authorizing the City to issue \$39,500,000 of alternate bonds for the purpose of paying the costs of improving and extending the municipal waterworks and sewerage system, and related costs and expenses, in the form of the Alternate Bond Question was submitted to the electors of the City at the consolidated election held on April 17, 2006, and was approved by a majority of the electors voting upon the question. Accordingly, the City is authorized to issue the Alternate Bonds in lieu of the Waterworks and Sewerage Revenue Bonds.

(x) On December 19, 2007, the City issued \$8,000,000 aggregate principal amount of its General Obligation Alternate Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2007 (the "**Series 2007 Bonds**"), a portion of the Alternate Bonds so authorized, to pay a portion of the costs of the Project and the City's costs incurred in connection with the authorization and issuance of the Alternate Bonds. The City anticipates issuing within the next 60 days up to \$3,000,000 aggregate principal amount of its General Obligation Alternate Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2010E (the "**Series 2010E Bonds**"), a portion of the Alternate Bonds, pursuant to Ordinance No. 10-29 adopted by the City Council on September 20, 2010, to pay a portion of the costs of the Project and the City's costs incurred in connection with the issuance of the Series 2010E Bonds.

(y) The City Council determines that it is necessary and desirable that there be issued up to an additional \$10,000,000 of the Alternate Bonds so authorized (as defined below, the "**Series 2011 Bonds**") in order to pay a portion of the costs of the Project and the City's costs incurred in connection with the borrowing of money provided for in this Bond Ordinance.

(z) The City will pledge to the payment of the principal of and interest on the Series 2011 Bonds the Revenues (defined below) of the System remaining after (i) the payment of Operation and Maintenance Costs (defined below) of the System and (ii) certain required monthly deposits and credits have been made under the provisions of Ordinance No. 98-6 of the City and any supplemental ordinances adopted in the future authorizing the issuance of any future series of prior lien water and sewer revenue bonds. The Revenues remaining after such deposits and credits have been made are referred to as the “**Pledged Revenues.**” The pledge of Pledged Revenues to the payment of the Series 2011 Bonds will be on a parity with the pledge of Pledged Revenues previously made to the City’s outstanding General Obligation Alternate Bonds (Waterworks and Sewerage System and Motor Fuel Tax Alternate Revenue Source), Series 2000A (the “**Series 2000A Bonds**”), the outstanding Series 2007 Bonds, the outstanding General Obligation Refunding Alternate Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2010A (the “**Series 2010A Bonds**”) (collectively, the “**Outstanding Waterworks and Sewerage Alternate Bonds**”) and the Series 2010E Bonds. The pledge of Pledged Revenues to the payment of the Series 2011 Bonds will also be on a parity with the pledge of the Pledged Revenues to the payment of any series of alternate bonds (including future series of the Alternate Bonds) issued in the future in accordance with the provisions of the Debt Reform Act (“**Additional Bonds**”) which by their terms are issued on a parity with and sharing ratably and equally in the Pledged Revenues with the Outstanding Waterworks and Sewerage Alternate Bonds, the Series 2010E Bonds, and the Series 2011 Bonds.

(aa) In Section 23 of this Bond Ordinance, the City Council reserves the right to issue waterworks and sewerage revenue bonds under the Revenue Bond Act, or any successor statute, payable from the Revenues and having a lien on the Revenues prior to the lien of the Outstanding Waterworks and Sewerage Alternate Bonds, the Series 2010E Bonds, the Series 2011 Bonds and any Additional Bonds (defined below).

(bb) The Series 2011 Bonds will be payable from the Pledged Revenues and the Pledged Taxes (defined below). The City has not previously issued any other obligations that remain outstanding to the payment of which the Revenues have been pledged, other than the Outstanding Waterworks and Sewerage Alternate Bonds. There are no contractual obligations or tort liabilities payable from the Revenues.

(cc) Section 8-5-1 of the Municipal Code provides generally that, except as otherwise provided in Division 5 of Article 8 of the Municipal Code, no municipality having a population less than 500,000 may incur any indebtedness which, when added to all existing indebtedness of the municipality, exceeds in aggregate amount an amount equal to 8.625% of the assessed valuation of all taxable property located within the municipality, as ascertained by the most recent assessment for state and county purposes as equalized by the Department of Revenue. The City has a population less than 500,000.

(dd) Section 8-5-16 of the Municipal Code provides that municipalities which are not home rule units may issue general obligation bonds without referendum in an amount that, when added to all outstanding general obligation bonds previously issued pursuant to that Section, does not exceed at the time of issue an amount equal to 0.5% of the assessed valuation of all taxable property located within the municipality, as ascertained by the most recent

assessment for state and county purposes as equalized by the Department of Revenue. The City is not a home rule unit.

(ee) The aggregate assessed valuation of all taxable property in the City as assessed by Rock Island County and equalized by the Department of Revenue for the year 2010, being the most recent assessment now available, is \$261,616,134.

(ff) The amount of all existing bonded indebtedness of the City (taking into account the provision of Section 15 of the Debt Reform Act that the outstanding principal amount of alternate bonds issued under that section need not be included in the computation of indebtedness of the City for purposes of any statutory provision or limitation unless the conditions specified in Section 15 have been met) is \$925,000, the amount of installment contract indebtedness of the City is \$8,554,728.76, the City has not entered into any capital leases, and there is no other outstanding non-bond indebtedness of the City, including contracts, leases, installment contracts, and judgments.

(gg) Section 15 of the Debt Reform Act provides that the Series 2011 Bonds shall not be regarded as or included in any computation of indebtedness of the City for the purpose of any statutory provision or limitation except as expressly provided in Section 15. None of the conditions set forth in Section 15, the existence of which would require the outstanding principal amount of the Series 2011 Bonds to be included in the computation of indebtedness of the City, exists or has occurred.

(hh) The Series 2011 Bonds authorized to be issued by this Bond Ordinance will not, when issued, cause the aggregate indebtedness of the City to exceed either of the limits set forth in subsections (cc) and (dd) above. The Series 2011 Bonds authorized to be issued by this Bond Ordinance will not, when issued, cause the aggregate amount of outstanding Alternate Bonds to exceed \$39,500,000.

(ii) The Series 2011 Bonds are "Additional Bonds" within the meaning of that term as used in the ordinances authorizing the Outstanding Waterworks and Sewerage Alternate Bonds and the Series 2010E Bonds.

(jj) Under Section 15 of the Debt Reform Act, the City Council is required to determine, as a condition to the issuance of the Series 2011 Bonds, that the Revenues will be sufficient to provide or pay in each year to the final maturity of the Series 2011 Bonds all of the following: (A) costs of maintaining and operating the System, (B) debt service on any outstanding waterworks and sewerage system revenue bonds of the City (there being none), (C) all required monthly deposits and credits to be made under the provisions of Ordinance No. 98-6, if any, (D) all other contractual or tort liabilities, if any, payable from the Revenues, and (E) an amount not less than 1.25 times aggregate debt service of (i) all alternate bonds previously issued and payable from Pledged Revenues, including the Outstanding Waterworks and Sewerage Alternate Bonds, and (ii) the Series 2011 Bonds proposed to be issued.

(kk) As authorized by Section 15 of the Act, such determination of the sufficiency of the Pledged Revenues will be made by the City Council before the Series 2011

Bonds are issued and shall be (i) supported by reference to the most recent audit of the City, which audit is for a fiscal year ending not earlier than 18 months previously to the issuance of the Series 2011 Bonds, or (ii) if the most recent audit then available does not adequately show the sufficiency of the Revenues, supported by a report of an accountant or independent feasibility analyst meeting the requirements of Section 15 demonstrating the sufficiency of the Revenues and explaining, if appropriate, by what means the Revenues will be greater than as shown in the most recent audit.

(ll) The State of Illinois, acting through the Illinois Environmental Protection Agency (the “**IEPA**”), may make one or more loans to the City under its Water Pollution Control Loan Program (the “**IEPA Loan Program**”) to pay certain eligible costs of the Project pursuant to a Loan Agreement between the City and the IEPA (the “**IEPA Loan Agreement**”) previously authorized by Ordinance No. 10-10 (the “**Approving Ordinance**”) duly adopted by the City Council of the City on April 19, 2011. The obligation of the City to repay such loans will be evidenced by Series 2009 Bonds issued and delivered to the IEPA from time to time as provided in this Bond Ordinance. A copy of the IEPA Loan Agreement is attached as *Exhibit A* and incorporated into this Bond Ordinance by this reference.

(mm) The ability of the City to issue the Series 2011 Bonds from time to time pursuant to the IEPA Loan Agreement without further action by the City Council at the time or times, in the amounts, maturing in the years and in the amounts, subject to mandatory sinking fund redemption or optional redemption (or both) upon the terms and having the other terms established by the Authorized Officers (defined below) in the Determination Certificate (defined below) within the limits established in this Bond Ordinance will enable the City to participate in and benefit from the IEPA Loan Program and thereby obtain financing upon the most favorable terms possible.

(nn) No member of the City Council, no officer of the City, and no managerial or supervisory employee of the City is now or was at any time on or subsequent to January 1, 2010, either an officer, director, employee or otherwise interested, either directly or indirectly, in his own name or in the name of any other person, association, trust or corporation in the Project or the contracts for the acquisition, construction and equipping of the Project.

Section 2. Definitions; Rules of Interpretation.

(a) In addition to terms defined elsewhere in this Bond Ordinance, the following capitalized terms shall have the following meanings when used in this Bond Ordinance, unless the context or use indicates otherwise:

“**Abatement Ordinance**” means as provided in Section 21.

“**Additional Bonds**” means as provided in Section 1(z).

“**Administrative Costs**” means administrative costs associated with the Series 2011 Bonds, including but not limited to expenses incurred by the City to employ and pay fiscal agents, financial advisers, attorneys and other persons to assist the City in the administration of the Series 2011 Bonds.

“**Administrative Expense Account**” means the account of that name created in Section 17.

“**Alternate Bonds**” means as provided in Section 1(I).

“**Approving Ordinance**” means as provided in Section 1(II).

“**Authenticating Agent**” means the Bond Registrar appointed in Section 8, acting in the capacity of Authenticating Agent under this Bond Ordinance, or any successors to it appointed pursuant to Section 27.

“**Authorized Officers**” means any two of the Mayor, the Treasurer and the Clerk.

“**Bond Fund**” means the General Obligation Alternate Bonds, Series 2011 Bond and Interest Fund created in Section 17.

“**Bond Ordinance**” or “**Ordinance**” means this Ordinance No. 11-__ adopted by the City Council on April 18, 2011.

“**Bond Register**” means the bond registration books of the City maintained by the Bond Registrar pursuant to Section 10.

“**Bond Registrar**” means the Bond Registrar appointed in Section 8, or any successors to it appointed in accordance with Section 27.

“**Bondholder**” means the registered owner of any Series 2011 Bond as shown on the Bond Register.

“**City**” means the City of East Moline, Rock Island County, Illinois.

“**City Council**” means the City Council of the City, the governing body of the City.

“**Clerk**” means the City Clerk of the City.

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

“**Dated Date**” means the date on which a Series 2011 Bond is issued.

“**Debt Reform Act**” means as provided in Section 1(a).

“**Determination Certificate**” means the certificate of the Authorized Officers with respect to a portion of the Series 2011 Bonds determining to issue such portion and establishing certain terms of such Series 2011 Bonds, addressed to the City Council, executed by the Authorized Officers and filed with the office of the Clerk, all as provided in Section 15 of this Bond Ordinance.

“Fiscal Year” means the twelve month period beginning on May 1 of any calendar year and ending on April 30 of the following calendar year.

“Future Revenue Bonds” means waterworks and sewerage revenue bonds which may be issued in the future under Ordinance No. 98-6, or any successor ordinance, and the Revenue Bond Act.

“TEPA” means as provided in Section 1(II).

“TEPA Loan Agreement” means as provided in Section 1(II).

“TEPA Loan Program” means as provided in Section 1(II).

“Mayor” means the Mayor of the City.

“Municipal Code” means as provided in Section 1(a).

“Operation and Maintenance Costs” means “Operation and Maintenance Costs” as defined in Ordinance No. 98-6.

“Ordinance No. 98-6” means Ordinance No. 98-6 of the City adopted by the City Council on March 16, 1998, and entitled: “MASTER ORDINANCE PROVIDING FOR THE ISSUANCE OF WATER AND SEWER REVENUE BONDS,” as amended and supplemented from time to time.

“Outstanding” means as provided in Section 25.

“Outstanding Waterworks and Sewerage Alternate Bonds” means the alternate bonds of the City to which the Pledged Revenues are pledged outstanding at the time this Bond Ordinance is adopted, including the Series 2000A Bonds, the Series 2007 Bonds and the Series 2010A Bonds.

“Paying Agent” means the Paying Agent appointed in Section 8, or any successors to it appointed pursuant to Section 27.

“Pledged Revenues” means the moneys deposited to the credit of the Surplus Account of the System Revenue Fund established in Article V of Ordinance No. 98-6, consisting of the funds remaining in the System Revenue Fund after the required monthly deposits and credits have been made to all funds and accounts under Ordinance No. 98-6 having a prior lien on Revenues.

“Pledged Revenues Subaccount” means the subaccount of that name established in Section 17.

“Pledged Taxes” means the direct annual irrevocable *ad valorem* tax levied upon all of the taxable property within the City in Section 19, as such taxes may be abated pursuant to Section 15(d) or Section 21.

“Pledged Taxes Subaccount” means the subaccount of that name established in Section 17.

“Principal and Interest Account” means the account of that name established in Section 17.

“Project” means as provided in Section 1(c).

“Purchaser” means the IEPA.

“Revenue Bond Act” means as provided in Section 1(b).

“Revenues” means the revenues of the System, as further defined in Ordinance No. 98-6.

“Serial Bonds” means Series 2011 Bonds that are not subject to mandatory sinking fund redemption in advance of maturity by operation of the Bond Fund.

“Series 2011 Bonds” means the Alternate Bonds, the sale, issuance and delivery of which are authorized by this Bond Ordinance.

“Surplus Account” means the account of that name established in the System Revenue Fund under Ordinance No. 98-6.

“System” means the combined waterworks and sewerage system of the City operated under Division 139 of Article 11 of the Municipal Code, as defined in Ordinance No. 98-6.

“System Revenue Fund” means the System Revenue Fund established in Article V of Ordinance No. 98-6.

“Term Bonds” means Series 2011 Bonds that are subject to mandatory sinking fund redemption in advance of maturity by operation of the Bond Fund.

“Treasurer” means the Treasurer of the City.

“Waterworks and Sewerage Revenue Bonds” means as provided in Section 1(h).

(b) The headings of this Bond Ordinance are for convenience of reference only and shall not define or limit the provisions of this Bond Ordinance.

(c) Unless otherwise specified, references to Sections and other subdivisions of this Bond Ordinance are to the designated Sections and other subdivisions of this Bond Ordinance as amended from time to time.

(d) References to the masculine include the feminine and neuter and vice versa and references to the singular include the plural and vice versa, unless the context or use indicates otherwise.

Section 3. Authorization of the Series 2011 Bonds. The sum of not to exceed \$10,000,000 shall be borrowed by the City to finance a portion of the costs of the Project, including to pay costs of the City in connection with the issuance of the Series 2011 Bonds authorized by this Bond Ordinance. In evidence of such borrowing, negotiable Series 2011 Bonds of the City in an aggregate principal amount not to exceed \$10,000,000 shall be issued as provided in this Bond Ordinance under the authority of the Revenue Bond Act and the Debt Reform Act.

Section 4. Denominations, Numbers, Designation and Date. The Series 2011 Bonds shall be issued only in fully registered form without coupons in the denominations of \$100 and integral multiples of that sum. The Series 2011 Bonds shall be designated "General Obligation Alternate Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2011" and shall be numbered consecutively from 1 upward but need not be authenticated or delivered in consecutive order. Series 2011 Bonds shall be dated as provided in the applicable Determination Certificate.

Section 5. Terms of the Series 2011 Bonds. The Series 2011 Bonds shall bear interest from their date until paid at the rate of one and one-quarter percent (1.25%) per year. The Series 2011 Bonds shall mature on the dates and in the years and the amounts as set forth in the applicable Determination Certificate. The Series 2011 Bonds shall be issued as Serial Bonds or as Term Bonds as shall be provided in the applicable Determination Certificate.

Section 6. Redemption.

(a) Bonds Not Subject to Optional Redemption. The Determination Certificates may provide that some or all of the Series 2011 Bonds are not subject to optional redemption prior to maturity.

(b) Bonds Subject to Optional Redemption. The Determination Certificates may provide that some or all of the Series 2011 Bonds are subject to optional redemption from any available funds, in whole or in part, on any date on or after a date specified in the applicable Determination Certificate, at a price specified in the applicable Determination Certificate plus in each case accrued interest to the date of redemption, with such redemption premium, if any, as shall be specified in the Determination Certificate.

(c) Bonds Subject to Mandatory Sinking Fund Redemption. The Series 2011 Bonds designated as Term Bonds shall be subject to mandatory redemption by operation of the Principal and Interest Account in the Bond Fund at a price of par and accrued interest, without premium, on January 15 of the years and in the amounts specified in the applicable Determination Certificate.

The City covenants that it will redeem any Term Bonds pursuant to the mandatory redemption required for such Term Bonds as provided above. 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.

If the City redeems Term Bonds pursuant to optional redemption or purchases Term Bonds and cancels the same either from moneys in the Principal and Interest Account which were deposited in such account to pay principal of such Term Bonds or from other legally available moneys, then an amount equal to the principal amount of Term Bonds so redeemed or purchased shall be deducted from the mandatory redemption requirement as provided for the Term Bonds of such maturity in the inverse order of years of such requirement as then remaining, fully reducing the requirement for each year before applying any amount to the requirement for the next year.

(d) Procedures for Redemption. The City shall, at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar and Paying Agent of such redemption date and of the principal amount of Series 2011 Bonds to be redeemed. If less than all of the Series 2011 Bonds are to be redeemed on any redemption date, they shall be redeemed in any order of maturity as determined by the City. If less than all of the Series 2011 Bonds of any maturity are to be redeemed on any redemption date, the Bond Registrar appointed in this Bond Ordinance shall assign to each Series 2011 Bond of the maturity to be redeemed a distinctive number for each \$100 of principal amount of that Series 2011 Bond. The Bond Registrar shall then select by lot from the numbers so assigned, using such method as it shall deem proper in its discretion, as many numbers as, at \$100 per number, shall equal the principal amount of Series 2011 Bonds of that maturity to be redeemed; *provided*, that the method selected shall be such that any \$100 Series 2011 Bond or \$100 portion of a Series 2011 Bond of that maturity is as likely to be called for redemption as any other \$100 Series 2011 Bond or \$100 portion of a Series 2011 Bond of that maturity.

The Bond Registrar shall promptly notify the City and the Paying Agent in writing of the Series 2011 Bonds or portions of Series 2011 Bonds selected for redemption and, in the case of any Series 2011 Bond selected for partial redemption, the principal amount of such Series 2011 Bonds to be redeemed.

Upon the payment of the redemption price of Series 2011 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 Series 2011 Bonds being redeemed with the proceeds of such check or other transfer.

(e) Notice of Redemption. Unless waived by the registered owner of Series 2011 Bonds to be redeemed, notice of the redemption of any Series 2011 Bonds which by their terms shall have become subject to redemption shall be given to the registered owner of each Bond or portion of a Series 2011 Bond called for redemption not less than 30 or more than 60 days before any date established for redemption of Series 2011 Bonds, by the Bond Registrar on behalf of the City, by registered or certified mail sent to the registered owner's last address, if any, appearing on the registration books kept by the Bond Registrar.

All official notices of redemption shall include at least the following information:

- (i) the redemption date;
- (ii) the redemption price;
- (iii) the maturity or maturities of the Series 2011 Bonds being redeemed and, if less than all of the Series 2011 Bonds of a single maturity are to be redeemed, the identification (and, in the case of partial redemption of any Series 2011 Bonds, the respective principal amounts) of the Series 2011 Bonds to be redeemed;
- (iv) a statement that on the redemption date the redemption price will become due and payable upon each such Series 2011 Bond or portion of a Series 2011 Bond called for redemption and that interest shall cease to accrue on the Series 2011 Bonds so called for redemption from and after said date; and
- (v) the place where such Series 2011 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Bond Registrar.

Prior to any redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Series 2011 Bonds or portions of Series 2011 Bonds which are to be redeemed on that date.

(f) Effect of Notice of Redemption; Waivers. Official notice of redemption having been given as prescribed above, the Series 2011 Bonds or portions of Series 2011 Bonds so to be redeemed shall, on the redemption date, become due and payable at the applicable redemption price, and from and after such date (unless the City defaults in the payment of the redemption price), such Series 2011 Bonds or portions of Series 2011 Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner, shall affect the sufficiency of such notice with respect to other Series 2011 Bonds. Notice having been properly given, failure of a registered owner to receive such notice shall not invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by the registered owner entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(g) Payment of Redemption Price. Upon surrender of such Series 2011 Bonds for redemption in accordance with said notice, such Series 2011 Bonds shall be paid by the Bond Registrar at the redemption price. The procedure for payment of interest due on or prior to the redemption date shall be as provided in this Bond Ordinance for payment of interest otherwise due. Upon surrender for the partial redemption of any Series 2011 Bond, there shall be prepared for the registered owner a new Series 2011 Bond or Series 2011 Bonds of like tenor, of authorized denominations, of the same maturity and bearing the same rate of interest in the amount of the unpaid principal. If any Series 2011 Bond or portion of a Series 2011 Bond called for redemption shall not be so paid upon its surrender for redemption, the principal and premium (if any) shall, until paid or duly provided for, bear interest from the redemption date at the rate

borne by the Series 2011 Bond or portion of Series 2011 Bond so called for redemption. All Series 2011 Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Section 7. Execution and Authentication of Series 2011 Bonds.

(a) Execution. Each Series 2011 Bond shall be executed by the manual or facsimile signature of the Mayor and the manual or facsimile signature of the Clerk and shall have the corporate seal of the City affixed to or impressed on it (or a facsimile of that seal printed on it). The Mayor and the Clerk (if they have not already done so) are authorized to file with the Illinois Secretary of State their manual signatures certified by them pursuant to the Uniform Facsimile Signatures of Public Officials Act, as amended, which shall authorize the use of their facsimile signatures to execute the Series 2011 Bonds. Each Series 2011 Bond so executed shall be as effective as if manually executed. In case any officer of the City whose signature or a facsimile of whose signature shall appear on the Series 2011 Bonds shall cease to be such officer before authentication and delivery of any of the Series 2011 Bonds, that signature or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until authentication and delivery.

(b) Authentication. No Series 2011 Bond shall be valid for any purpose unless and until a certificate of authentication on that Series 2011 Bond substantially in the form set forth in the bond form attached as *Exhibit B* and incorporated in Section 12 of this Bond Ordinance shall have been duly executed by an authorized officer of the Authenticating Agent appointed below. That certificate upon any Series 2011 Bond shall be conclusive evidence that the Series 2011 Bond has been authenticated and delivered under this Bond Ordinance. It shall not be necessary that the same officer sign the certificate of authentication on all of the Series 2011 Bonds.

Section 8. Paying Agent, Authenticating Agent and Bond Registrar. THE National Bank, East Moline, Illinois, is appointed as Paying Agent, Bond Registrar and Authenticating Agent under this Bond Ordinance.

Section 9. Payment of Principal and Interest. The Series 2011 Bonds shall be payable in lawful money of the United States of America at the principal office of the Paying Agent. The principal of each Series 2011 Bond shall be payable at maturity upon presentment of the Series 2011 Bond at the principal office of the Paying Agent. Interest on each Series 2011 Bond shall be payable on each interest payment date by check or draft of the Paying Agent mailed to the person in whose name that Series 2011 Bond is registered on the books of the Bond Registrar at the close of business on the 15th day prior to the interest payment date.

Section 10. Registration, Transfer and Exchange of Series 2011 Bonds. The Series 2011 Bonds shall be negotiable, subject to the following provisions for registration and registration of transfer. The City shall maintain or cause to be maintained books for the registration of the Series 2011 Bonds at the principal office of the Bond Registrar. Each Series 2011 Bond shall be registered on those books. Transfer of each Series 2011 Bond shall be registered on those books only upon surrender of that Series 2011 Bond to the Bond Registrar by

the registered owner or his or her attorney duly authorized in writing together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his or her duly authorized attorney. Upon surrender of a Series 2011 Bond for registration of transfer, the City shall execute and the Authenticating Agent shall authenticate and deliver, in the name of the transferee, one or more new Series 2011 Bonds of the same aggregate principal amount and of the same maturity as the Series 2011 Bonds surrendered.

Series 2011 Bonds may be exchanged, at the option of the registered owner, for an equal aggregate principal amount of Series 2011 Bonds of any other authorized denominations upon surrender of those Series 2011 Bonds at the principal corporate trust office of the Bond Registrar together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his or her duly authorized attorney.

In all cases in which the privilege of exchanging or transferring Series 2011 Bonds is exercised, the City shall execute, the Authenticating Agent shall authenticate, and the Bond Registrar shall deliver, Series 2011 Bonds in accordance with the provisions of this Bond Ordinance. All Series 2011 Bonds surrendered in any exchange or transfer shall be canceled immediately by the Bond Registrar. The City is authorized to prepare, and the Bond Registrar (or such other agent as the City Council may from time to time designate) is authorized to maintain custody of, multiple blank Series 2011 Bonds executed on behalf of the City as provided in Section 7 for use in connection with the transfer and exchange of Series 2011 Bonds.

For every exchange or registration of transfer of Series 2011 Bonds, the City or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge, other than one imposed by the City, required to be paid with respect to that exchange or transfer, and payment of that charge by the person requesting exchange or registration of transfer shall be a condition precedent to that exchange or registration of transfer. No other charge may be made by the City or the Bond Registrar as a condition precedent to exchange or registration of transfer of any Series 2011 Bond.

The Bond Registrar shall not be required to exchange or register the transfer of any Series 2011 Bond (a) during the period from the close of business on the 15th day preceding an interest payment date on the Series 2011 Bonds to the opening of business on such interest payment date, or (b) after notice of redemption of that Series 2011 Bond or any portion of that Series 2011 Bond has been mailed, or (c) during the 15 days next preceding mailing of a notice of redemption of Series 2011 Bonds.

Section 11. Persons Treated as Owners of Series 2011 Bonds. The City, the Paying Agent and the Bond Registrar may treat the registered owner of any Series 2011 Bond as its absolute owner, whether or not that Series 2011 Bond is overdue, for the purpose of receiving payment of the principal of or interest on that Series 2011 Bond and for all other purposes, and neither the City, the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of the principal of and interest on each Series 2011 Bond shall be made only to its registered owner, and all such payments shall be valid and effective to satisfy the obligation of the City on that Series 2011 Bond to the extent of the amount paid.

Section 12. Form of the Series 2011 Bonds. The Series 2011 Bonds shall be in substantially the form set forth in *Exhibit B* to this Bond Ordinance, which Exhibit is incorporated by reference into this Section 12 and shall for all purposes be a part of this Bond Ordinance.

Section 13. Nature of Obligation. The Series 2011 Bonds shall constitute general obligations of the City. The Pledged Revenues, the Pledged Taxes and the full faith and credit of the City are pledged to the payment of the principal of and interest on the Series 2011 Bonds.

Section 14. Treatment of Series 2011 Bonds As Indebtedness. The Series 2011 Bonds shall be payable from the Pledged Revenues and the Pledged Taxes, as provided in Section 15 of the Debt Reform Act, and shall not constitute indebtedness of the City within the meaning of any constitutional or statutory limitation, unless the Pledged Taxes shall have been extended pursuant to the City's pledge of its full faith and credit in Section 13 and the general obligation tax levy made in Section 19. In that event, as provided in Section 15 of the Debt Reform Act, the amount of the Series 2011 Bonds then Outstanding shall be included in the computation of indebtedness of the City for purposes of all statutory provisions or limitations until such time as an audit of the City shows that the Series 2011 Bonds have been paid from the Pledged Revenues for a complete Fiscal Year, in accordance with the Debt Reform Act.

Section 15. Sale of Series 2011 Bonds; Determination to Issue and Determination of Certain Terms of Series 2011 Bonds; Ratification of Certain Prior Actions; Authentication and Delivery of Series 2011 Bonds.

(a) The Authorized Officers are authorized to determine to issue from time to time all or portions of the Series 2011 Bonds in amounts determined by them and to determine the terms of the Series 2011 Bonds and to sell the Series 2011 Bonds to the IEPA pursuant to the IEPA Loan Agreement on such terms as the Authorized Officers may deem to be in the best interests of the City within the limitations set forth in the IEPA Loan Agreement and this Bond Ordinance.

(b) The Authorized Officers may in the Determination Certificate make such changes to the terms of the Series 2011 Bonds and the form of the Series 2011 Bonds from those provided in this Bond Ordinance as they shall determine but which shall result in the Series 2011 Bonds having substantially the terms and being in substantially the form provided by this Bond Ordinance.

(c) Prior to the issuance and delivery of a portion of the Series 2011 Bonds to the IEPA, the Authorized Officers shall file in the office of the Clerk, addressed to the Board of Trustees, a Determination Certificate setting forth the amount and terms of the Series 2011 Bonds to be issued and delivered, including, without limitation, the Dated Date of such Series 2011 Bonds, the maturity or maturities of such Series 2011 Bonds (*provided* that (A) the aggregate principal amount of the Series 2011 Bonds maturing in any year (after taking into account scheduled prior mandatory sinking fund redemptions) may not exceed \$_____, (B) the final maturity of the Series 2011 Bonds may not be later than January 15, 2038 and (C) the

amounts of principal of and interest on all outstanding Series 2011 Bonds and the Series 2011 Bonds to be issued and delivered due in any calendar year, including principal scheduled to fall due pursuant to mandatory sinking fund redemptions, may not exceed the amounts of the *ad valorem* taxes levied to pay such amounts in Section 19 of this Bond Ordinance), the issuance of the Series 2011 Bonds as Serial Bonds, Term Bonds, or any combination of Serial Bonds and Term Bonds, the prices and other terms upon which the Series 2011 Bonds are subject to redemption, the sale price of the Series 2011 Bonds (which shall be in the aggregate not less than 98% percent of the original principal amount net of any net original issue discount or premium), and the amounts of the proceeds of sale of the Series 2011 Bonds to be applied to the purposes as provided in Section 19, all as provided in and subject to the limitations expressed in this Bond Ordinance.

Each Determination Certificate shall be deemed a part of this Bond Ordinance. The determinations made by the Authorized Officers in a Determination Certificate shall be final, conclusive, and binding upon the City, the Bond Registrar, the IEPA and the subsequent holders from time to time of the Series 2011 Bonds (if any) if within the limitations set forth in this Section 15(c).

(d) If the Series 2011 Bonds are sold so as to require the levy of taxes in 2011 or any subsequent year less than the aggregate amount levied pursuant to Section 19 of this Bond Ordinance, then the Authorized Officers shall include, in the Determination Certificate, the amount of any reduction in the amount levied pursuant to Section 19 for 2011 and any subsequent year resulting from the sale of Series 2011 Bonds with lesser maturities (after taking into account mandatory redemptions) or lesser payments of interest, and, in addition, the Treasurer shall file in the office of the County Clerk of The County of Rock Island, Illinois, a certificate of tax abatement for such years. Any certificate of tax abatement delivered pursuant to this paragraph shall refer to the amount of taxes levied pursuant to Section 19, shall indicate the amount of reduction in the amount of taxes levied pursuant to Section 19 resulting from the sale of the Series 2011 Bonds, which reduced amount is to be abated from such taxes, and shall further indicate the remainder of such taxes which is to be extended for collection by the County Clerk.

(e) All actions of the City and its officers and employees relating to the authorization, offering, issuance and sale of the Series 2011 Bonds are ratified, confirmed and approved

(f) The Series 2011 Bonds to be issued and delivered from time to time shall be executed as provided in this Bond Ordinance and shall be delivered to the Treasurer. The Treasurer is authorized to deliver the Series 2011 Bonds to the Authenticating Agent and the Authenticating Agent is authorized and directed to authenticate the Series 2011 Bonds and deliver them to the Purchaser upon receipt by the City of the purchase price specified in the Determination Certificate.

(g) The Authorized Officers are further authorized to take the actions and execute and deliver the documents and instruments specified in this Bond Ordinance and to execute and deliver such other documents and take such other actions as may be necessary or

desirable in connection with the Series 2011 Bonds, including, but not limited to, the exercise following the delivery date of the Series 2011 Bonds of any power or authority delegated to the Authorized Officers under this Bond Ordinance upon original issuance, but subject to any limitations on or restrictions of such power or authority set forth in this Bond Ordinance.

Section 16. Continuation of System Revenue Fund and Accounts; Flow of Funds.

Upon the issuance of the Series 2011 Bonds, the System shall continue to be operated on a Fiscal Year basis. All of the Revenues shall be set aside as collected and shall be deposited into that certain separate fund and in an account in a bank designated by the City Council, which fund is was established under Ordinance No. 98-06 and is designated as the "System Revenue Fund" of the City (the "**System Revenue Fund**") and is expressly continued. The System Revenue Fund shall constitute a trust fund for the sole purpose of carrying out the covenants, terms, and conditions in this Bond Ordinance and in any ordinances authorizing future series of Future Revenue Bonds or future series of Additional Bonds, and shall be used only in paying Operation and Maintenance Costs, providing an adequate depreciation fund, paying the principal of and interest on all revenue bonds of the City (including Future Revenue Bonds) which by their terms are payable from the Revenues, and providing for the establishment of and expenditure from the respective accounts as described in this Bond Ordinance and in ordinances authorizing future series of revenue bonds (including Future Revenue Bonds) payable from the Revenues and future series of Additional Bonds payable from the Pledged Revenues.

Revenues from time to time on deposit in the System Revenue Fund shall be applied each month first to pay Operation and Maintenance Costs and shall then be deposited into or credited to any funds, accounts or subaccounts established by any ordinances adopted in the future authorizing the issuance of any Future Revenue Bonds at the times and in the amounts required by such ordinances.

Each month, after the payment of Operation and Maintenance Costs and the making of all such required deposits and credits, the remaining Revenues on deposit in the "Surplus Account" of the System Revenue Fund established under Ordinance No. 98-06 shall be applied to the extent necessary to make the following deposits and credits.

(a) There shall be paid into the Pledged Revenues Subaccount of the Principal and Interest Account in the Bond Fund established in Section 17, in each month, a fractional amount of the interest becoming due on the next succeeding interest payment date on all Outstanding Series 2011 Bonds and a fractional amount of the principal becoming due on the next succeeding principal maturity or mandatory sinking fund redemption date of all Outstanding Series 2011 Bonds until there shall have been accumulated in the Pledged Revenues Subaccount on or before the month preceding such due date of interest or principal, an amount sufficient to pay such principal or interest, or both, of all Series 2011 Bonds.

(b) In computing the fractional amount to be set aside each month in the Pledged Revenues Subaccount, the fraction shall be so computed that sufficient funds will be set aside in the Pledged Revenues Subaccount and will be available for the prompt payment of such

principal of and interest on all Outstanding Series 2011 Bonds as the same become due and shall be *not less than one-sixth of the interest* becoming due on the next succeeding interest payment date and *not less than one-twelfth of the principal* becoming due on the next succeeding principal or mandatory sinking fund redemption payment date on all Outstanding Series 2011 Bonds until there is sufficient money in the Pledged Revenues Subaccount to pay such principal or interest or both.

(c) Credits to the Pledged Revenues Subaccount may be suspended in any Fiscal Year at such time as there is a sufficient sum, held in cash and investments, in the Subaccount to meet principal and interest requirements in the Subaccount for the balance of such Fiscal Year, but such credits shall be resumed at the beginning of the next Fiscal Year.

(d) All moneys in the Pledged Revenues Subaccount shall be used only for the purpose of paying interest on and principal of Outstanding Series 2011 Bonds.

(e) Any funds remaining in the System Revenue Fund each month after the payment of Operation and Maintenance Costs and after required deposits have been made (a) under ordinances authorizing future series of Future Revenue Bonds and future series of Additional Bonds, and (b) to the Pledged Revenues Subaccount, and after any necessary deposits have been made pursuant to Section 17 in the Administrative Expense Account, may be used as directed in any ordinances authorizing Future Revenue Bonds or at the direction of the City Council for any lawful purpose.

(f) Moneys to the credit of the System Revenue Fund may be invested pursuant to any authorization granted to municipal corporations by Illinois statute or court decision.

(g) Future ordinances of the City may establish additional funds and accounts in the System Revenue Fund as may be necessary in connection with the issuance of future series of Future Revenue Bonds and future series of Additional Bonds and may provide for the Series 2011 Bonds and any Additional Bonds to be payable from such other account of the fund or funds related to the System as may be provided for in such ordinances; *provided*, that the covenant to provide sufficient moneys from Pledged Revenues accumulating as provided above shall continue to be met.

Section 17. Bond Fund – Accounts. There is created a special fund of the City, which fund shall be held separate and apart from all other funds and accounts of the City and shall be known as the “General Obligation Alternate Bonds, Series 2011 Bond and Interest Fund” (the “**Bond Fund**”). All of the Pledged Revenues and Pledged Taxes designated to pay principal of, interest on and premium, if any, with respect to the Series 2011 Bonds shall be set aside as collected and deposited by the Treasurer into the Bond Fund, which shall be a trust fund and is being established for the purpose of carrying out the covenants, terms and conditions imposed upon the City by this Bond Ordinance. The Series 2011 Bonds are secured by a pledge of all of the moneys from time to time on deposit in the Bond Fund, and such pledge is irrevocable until the obligations of the City are discharged under this Bond Ordinance.

The Pledged Revenues and Pledged Taxes are to be paid to the Treasurer by the officers who collect or receive the Pledged Revenues or Pledged Taxes. Whenever the Treasurer receives any of the (a) Pledged Revenues designated to pay principal of, interest on and premium, if any, with respect to the Series 2011 Bonds or (b) Pledged Taxes, he shall promptly deposit the same into the Bond Fund. The moneys on deposit in the Bond Fund shall be used by the City solely and only for the purpose of carrying out the terms and conditions of this Bond Ordinance and shall be deposited to the separate accounts within the Bond Fund which are created by this Bond Ordinance and shall be known as the “**Principal and Interest Account**” and the “**Administrative Expense Account**”. As moneys are deposited by the City into the Bond Fund, they shall be credited on or before the first business day of each month by the Treasurer, without any further official action or direction, to the following accounts in the following order:

(a) Principal and Interest Account. There are established by this Bond Ordinance within the Principal and Interest Account separate subaccounts to be known as the “**Pledged Revenues Subaccount**” and the “**Pledged Taxes Subaccount**”. Except as otherwise provided in this Bond Ordinance, moneys to the credit of the Pledged Revenues Subaccount and the Pledged Taxes Subaccount shall be used only for the purpose of paying principal of and interest on the Series 2011 Bonds as the same become due. Beginning immediately upon the issuance of the Series 2011 Bonds, the Treasurer shall credit to and shall immediately deposit into the Principal and Interest Account the Pledged Revenues and the Pledged Taxes, as follows:

- (i) Pledged Revenues shall be transferred from the System Revenue Fund into the Pledged Revenues Subaccount as provided in Section 16.
- (ii) The Treasurer shall immediately deposit the Pledged Taxes as received to the credit of the Pledged Taxes Subaccount. The Pledged Taxes are irrevocably pledged and shall be used only for the purpose of paying principal of and interest on the Series 2011 Bonds.

If there are moneys to the credit of both the Pledged Revenues Subaccount and the Pledged Taxes Subaccount on any maturity date of principal or mandatory sinking fund redemption date, or interest payment date for the Series 2011 Bonds, moneys to the credit of the Pledged Taxes Subaccount shall be used first to pay principal of and interest on the Series 2011 Bonds and the Pledged Taxes Subaccount shall be fully depleted before moneys to the credit of the Pledged Revenues Subaccount shall be used to pay principal of or interest on the Series 2011 Bonds.

(b) Administrative Expense Account. After crediting the required amounts to the Principal and Interest Account, there shall be credited to the Administrative Expense Account from Pledged Revenues an amount sufficient to pay for administrative costs associated with the Series 2011 Bonds, including but not limited to expenses incurred by the City to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the City in the administration of the Series 2011 Bonds (the “**Administrative Costs**”). Moneys on deposit in the Administrative Expense Account shall be transferred by the Treasurer *first*, if necessary, to remedy any deficiencies in the Principal and Interest Account in the Bond Fund; and, *thereafter*, on or prior to the first business day of each month there shall be credited to the Administrative Expense Account the amount necessary to pay Administrative Costs for the then current month.

Moneys on deposit in the Administrative Expense Account shall be used to pay Administrative Costs.

Remaining moneys in the Bond Fund (i) derived from Pledged Revenues shall be credited to the System Revenue Fund, and (ii) derived from Pledged Taxes on deposit in the Pledged Taxes Subaccount shall be used only to pay principal of and interest on the Series 2011 Bonds.

(c) Investments. Moneys on deposit in the Bond Fund and the various accounts in it may be invested from time to time pursuant to any authorization granted to municipal corporations by Illinois statute or court decision.

Any such investments may be sold from time to time by the City as moneys are needed for the purposes for which the Bond Fund and such accounts have been created. In addition, the Treasurer shall sell such investments when necessary to remedy any deficiency in the Bond Fund or the accounts and subaccounts created in the Bond Fund. Any investment earnings shall be attributed to the account or subaccount within the Bond Fund for which the investment was made.

Investments in the various accounts shall mature or be subject to redemption at the option of the holder prior to the time when needed, and, in any event, within the times as follows:

<u>Account</u>	<u>Time</u>
Principal and Interest	6 Months
Administrative Expense	6 Months

Moneys in any of the various accounts shall be invested by the Treasurer of the City, if necessary, in investments restricted as to yield, which investments may be in United States Treasury Obligations — State and Local Government Series, if available, and to such end the Treasurer shall refer to any investment restrictions covenanted by the City or any of its officers as part of the transcript of proceedings for the issuance of the Series 2011 Bonds, and to appropriate opinions and written advice of counsel.

The deposits of moneys in the Bond Fund and investments of moneys on deposit in the Bond Fund may be commingled for deposit and investment purposes with other funds of the City established solely for paying principal of and interest on other general obligation bonds of the City. Moneys in the Bond Fund shall never be commingled with or loaned to any other funds of the City which were not established for such purpose or which are used for any other purpose, as long as any Series 2011 Bonds are Outstanding and unpaid.

(d) Transfers. Any amounts to the credit of the various accounts in the Bond Fund in excess of the then current requirement may be transferred by the City Council to such other accounts in the Bond Fund as the City Council may in its sole discretion designate;

provided, that Pledged Taxes on deposit in the Pledged Taxes Subaccount may be used only to pay principal of and interest on the Series 2011 Bonds.

(e) *Appropriation and Pledge.* Amounts deposited in the Principal and Interest Account of the Bond Fund, including amounts deposited in it pursuant to Section 21 of this Bond Ordinance, are appropriated for and irrevocably pledged to, and shall be used only for the purpose of, paying the principal of and interest on the Series 2011 Bonds, or reimbursing general funds of the City expended for those purposes as provided in Section 19 of this Bond Ordinance, or for making transfers from the Bond Fund of interest and other investment earnings as allowed by the preceding subsection of this Section.

Section 18. Application of Bond Proceeds.

(a) The proceeds derived from the issuance, sale and delivery of the Series 2011 Bonds from time to time shall be applied as follows: (i) an amount of such proceeds of sale representing accrued interest (if any) shall be deposited into the Pledged Taxes Subaccount in the Series 2011 Principal and Interest Account; (ii) to reimburse the IEPA for loan advances made by the IEPA to the City pursuant to the IEPA Loan Agreement to pay or reimburse the City for its prior payment of costs of the Project, and (iii) to pay costs of issuance of the Series 2011 Bonds.

(b) All amounts received upon the sale of the Series 2011 Bonds, together with all interest and other investment earnings on those amounts, are appropriated and set aside for the purposes for which the Series 2011 Bonds are being issued as set forth in this Bond Ordinance.

Section 19. Tax Levy. There is levied a direct annual irrevocable *ad valorem* tax (the “**Pledged Taxes**”) upon all taxable property within the City sufficient to pay and discharge the principal of the Series 2011 Bonds at maturity and to pay interest on the Series 2011 Bonds due at maturity each year, including specifically the following amounts for the following years:

<u>Year of Levy</u>	<u>An Amount Sufficient to Produce the Sum of:</u>	
2011	\$570,000.00	for principal and interest
2012	\$570,000.00	for principal and interest
2013	\$570,000.00	for principal and interest
2014	\$570,000.00	for principal and interest
2015	\$570,000.00	for principal and interest
2016	\$570,000.00	for principal and interest
2017	\$570,000.00	for principal and interest
2018	\$570,000.00	for principal and interest
2019	\$570,000.00	for principal and interest
2020	\$570,000.00	for principal and interest
2021	\$570,000.00	for principal and interest
2022	\$570,000.00	for principal and interest
2023	\$570,000.00	for principal and interest

<u>Year of Levy</u>	<u>An Amount Sufficient to Produce the Sum of:</u>	
2024	\$570,000.00	for principal and interest
2025	\$570,000.00	for principal and interest
2026	\$570,000.00	for principal and interest
2027	\$570,000.00	for principal and interest
2028	\$570,000.00	for principal and interest
2029	\$570,000.00	for principal and interest
2030	\$570,000.00	for principal and interest
2031	\$570,000.00	for principal and interest
2032	\$570,000.00	for principal and interest
2033	\$570,000.00	for principal and interest

The Pledged Taxes shall be in addition to and in excess of all other taxes levied by the City. If at any time following the extension of any Pledged Taxes sufficient funds are not on hand from amounts derived from the Pledged Taxes to make a payment of interest or principal on the Series 2011 Bonds as it becomes due, that payment shall be made from the general funds of the City. Those general funds shall be reimbursed from the amounts derived from the Pledged Taxes when those amounts shall be on hand (and not needed for paying other payments of interest or principal then coming due on the Series 2011 Bonds). The City pledges the Pledged Taxes irrevocably to the payment of the Series 2011 Bonds, subject to the City's right to abate the Pledged Taxes provided in Section 21.

Section 20. Filing of Tax Levy; Duties of County Clerk. A certified copy of this Bond Ordinance shall be filed after the effective date of this Bond Ordinance with the County Clerk of Rock Island County, Illinois. It shall be the duty of the County Clerk in each year to ascertain the rate necessary to produce the tax levied in this Bond Ordinance and to extend that tax for collection on the tax books against all of the taxable property situated within the City, without limitation as to rate or amount, in connection with other taxes levied in such year for general City purposes. Such taxes shall be computed, extended and collected in the same manner as is now or may subsequently be provided for the computation, extension and collection of taxes for general purposes of the City. The taxes levied and extended pursuant to this Bond Ordinance shall be in addition to and in excess of all other taxes levied by the City.

Section 21. Abatement of Pledged Taxes.

The Pledged Taxes levied in Section 19 may be abated in connection with the issuance and delivery of the Series 2011 Bonds as and to the extent provided in Section 15(d).

Prior to the deadline for the timely annual abatement of the Pledged Taxes for the Series 2011 Bonds, but in no event *earlier* than December 1st of the year in which such Pledged Taxes are levied (*i.e.* the year prior to extension and collection), the Treasurer shall deposit Pledged Revenues into the Pledged Revenues Subaccount in an amount necessary to provide for the payment of interest and principal coming due on the Series 2011 Bonds in the following calendar year otherwise payable from the proceeds of such tax levy. Upon (but in no event prior to) the deposit of such moneys, the City Council, or the officers of the City acting with proper

authority, shall direct the abatement of the Pledged Taxes and proper notification of such abatement shall be filed with the County Clerk in a timely manner to effect such abatement.

In abating taxes, the City Council shall adopt an ordinance or ordinances (the "Abatement Ordinance") setting forth the following items.

(a) The amount of funds available from Pledged Revenues or other lawfully available sources or the reduction in debt service attributable to purchases by the City of the Series 2011 Bonds to enable the abatement of the Pledged Taxes.

(b) An appropriation of such funds to pay principal of and interest on the Series 2011 Bonds.

(c) A direction to the Treasurer to deposit such funds not already held in the Bond Fund into the Bond Fund or to reimburse a fund or account from which advances to the Bond Fund in anticipation of Pledged Taxes were made and thereupon to notify the Clerk of such deposit;

(d) A statement of the year and the amount of abatement of Pledged Taxes, which amount to be abated shall not exceed the amount of such available funds; and

(e) A direction to the Clerk to file a certified copy of the Abatement Ordinance in the offices of the County Clerk of Rock Island County, Illinois.

Upon notification from the Treasurer that any deposits required by the Abatement Ordinance to be made into the Bond Fund have been made, the Clerk shall thereupon cause a certified copy of the Abatement Ordinance to be filed with the County Clerk.

The filing of such Abatement Ordinance shall be complete authority to the County Clerk to cause such abatement.

Section 22. Pledge of Pledged Revenues. The City pledges irrevocably to the payment of the Series 2011 Bond all Pledged Revenues, as authorized by the Debt Reform Act.

As provided in Section 15 of the Debt Reform Act, the City Council covenants, to the extent it is empowered to do so, to provide for, collect and apply the Pledged Revenues to the payment of the Series 2011 Bonds and the provision of not less than an additional 0.25 times debt service on the Series 2011 Bonds. As provided in Section 15 of the Debt Reform Act, this Bond Ordinance shall constitute a continuing appropriation of the Pledged Revenues as received for deposit in the Bond Fund.

Section 23. Additional Obligations Payable From Pledged Revenues. The City reserves the right to issue Additional Bonds from time to time payable from the Pledged Revenues and any such Additional Bonds shall share ratably and equally in the Pledged Revenues with the Outstanding Waterworks and Sewerage Alternate Bonds, the Series 2011 Bonds and any Additional Bonds previously issued. This reserved right is subject to the covenants set forth in Section 28 with respect to rates and charges for the use of the System. Any

such Additional Bonds which may be issued in compliance with this Section shall be payable as to principal on December 15th and as to interest on June 15th and December 15th in each year in which principal and/or interest come due.

The City also reserves the right to issue Future Revenue Bonds payable from the Revenues and having a senior lien on the Revenues to the lien of the Outstanding Waterworks and Sewerage Alternate Bonds, the Series 2011 Bonds and any Additional Bonds.

Section 24. Refunding Bonds. Refunding Bonds issued to refund Series 2011 Bonds, whether at or in advance of maturity, may be issued by the City under this Bond Ordinance and, upon such issuance, shall be "Series 2011 Bonds," subject to the limitations of this Bond Ordinance and in accordance with the provisions of the Revenue Bond Act and the Debt Reform Act.

Section 25. Defeasance. Series 2011 Bonds which are no longer Outstanding as defined in this Bond Ordinance shall cease to have any lien on or right to receive or be paid from Pledged Revenues and Pledged Taxes and shall no longer have the benefits of any covenant made in this Bond Ordinance for the Bondholders of Outstanding Series 2011 Bonds.

"Outstanding" means Series 2011 Bonds which have been issued and delivered under this Bond Ordinance or refunding Series 2011 Bonds, which remain unpaid and for the full and punctual payment of which when due no provision has been made by the City. The term "Outstanding" does not include Series 2011 Bonds or refunding Series 2011 Bonds that have matured or have been duly called for redemption and for which monies are irrevocably on deposit with a Paying Agent sufficient to pay all interest and all principal due through the date of maturity or redemption.

Section 26. This Bond Ordinance a Contract. The provisions of this Bond Ordinance shall constitute a contract between the City and the Bondholders, and no changes, additions or alterations of any kind shall be made to this Bond Ordinance, except as provided in this Bond Ordinance.

This Bond Ordinance may be amended from time to time to (i) pledge an additional source or sources of revenues as security for the payment of the Series 2011 Bonds, (ii) to make changes permitted by the last subsection of Section 16, (iii) to provide for or to facilitate the issuance of Refunding Bonds, or (iv) to provide for or to facilitate the issuance of Future Revenue Bonds or Additional Bonds pursuant to the rights reserved in Section 23.

Section 27. Bond Registrar Covenants. The duties of the Bond Registrar shall include the following:

- (a) to act as bond registrar, authenticating agent, paying agent and/or transfer agent as provided in this Bond Ordinance;
- (b) to maintain a list of Bondholders as set forth in this Bond Ordinance, and to keep such list confidential to the extent permitted by law;

- (c) to cancel and/or destroy Series 2011 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer;
- (d) to furnish the City at least annually a certificate with respect to Series 2011 Bonds canceled and/or destroyed; and
- (e) to furnish the City at least annually an audit confirmation of Series 2011 Bonds paid and Series 2011 Bonds Outstanding and payments made with respect to interest on the Series 2011 Bonds.

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

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 Series 2011 Bonds; it will maintain at the designated office(s) of such Bond Registrar a place or places where Series 2011 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 as Bond Register and Authenticating Agent by this Bond Ordinance in a manner consistent with the standards, customs and practices of the municipal securities industry.
- (b) The Bond Registrar and Authenticating Agent shall signify its acceptance of the duties and obligations imposed upon it by this Bond Ordinance by executing the certificate of authentication on any Series 2011 Bond, and by such execution the Bond Registrar and Authenticating Agent 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 Series 2011 Bond so authenticated but with respect to all the Series 2011 Bonds. The Bond Registrar and Authenticating Agent 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. The Bond Registrar and Authenticating Agent shall, however, be responsible for any representation in its certificate of authentication on Series 2011 Bonds.
- (c) The City may remove the Bond Registrar and Authenticating Agent and appoint a new Bond Registrar and Paying Agent at any time. The City shall give notice by certified mail of any appointment of a successor Bond Registrar and Authenticating Agent made by it to each registered owner of any Series 2011 Bond within twenty days after such appointment. Any successor Bond Registrar and Authenticating Agent appointed under the provisions of this Section shall be a bank, trust company, or national banking association authorized to do a trust business in and maintaining corporate trust office in Illinois, having capital and surplus and undivided profits in excess of \$25,000,000, and having substantial experience in serving in those capacities in connection with municipal bond issues.

Section 28. Covenants Relating to System Revenues. The City covenants with the Bondholders of the Series 2011 Bonds from time to time Outstanding that, so long as any Series 2011 Bonds remain Outstanding:

- (a) The City Council shall establish and maintain rates and charges for the use of the System at levels sufficient to produce revenues sufficient to (1) pay all Operation and

Maintenance Costs, (2) pay all contractual or tort liabilities, if any, payable from the Revenues, (3) pay all principal of and interest on any Future Revenue Bonds as the same shall become due, (4) pay the required monthly deposits and credits under the provisions of the bond ordinances authorizing such Future Revenue Bonds and provide for any coverage factor required by such bond ordinances, (5) pay all principal of and interest on the outstanding Series 2011 Bonds and all principal of and interest on any Additional Bonds as the same shall become due and provide for any coverage factor required by the Debt Reform Act and the ordinances authorizing those bonds, and (6) pay all Administrative Costs of the 2007 Bonds and any Additional Bonds.

- (b) The City will maintain the System in good repair and working order, will operate the same efficiently and faithfully, and will punctually perform all duties with respect to it required by the Constitution and laws of the State of Illinois.
- (c) There shall be charged against all users of the System, including the City, such rates and charges for water and sewer services as shall be adequate to meet the requirements of this Section. Charges for services rendered the City shall be made against the City, and payment for the same shall be made monthly from the corporate funds into the System Revenue Fund as Revenues derived from the operation of the System; *provided*, that the City need not charge itself for such services if in the previous Fiscal Year Revenues not including any payments made by the City shall have met the requirements of this Bond Ordinance.
- (d) Within six months following the close of each Fiscal Year, the City will cause the books and accounts of the System to be audited by independent certified public accountants in accordance with appropriate audit standards. Said audit shall be made available for inspection by any of the Bondholders.
- (e) Except as provided in Section 23, the City Council shall not make any pledge of the Pledged Revenues having a priority as to such revenues greater than the pledge of such revenues to the Series 2011 Bonds made in this Ordinance.
- (f) In connection with the authorization of future series of the City's obligations to which the Revenues or the Pledged Revenues are pledged as provided in Section 23, the City Council may impose additional covenants with respect to the System, including covenants that require higher levels of rates and charges for the use of the System than the levels required under this Bond Ordinance, which do not diminish the protection afforded to the holders of the Series 2011 Bonds by the covenants contained in this Section 28.

Section 29. General Covenants. The City covenants with the Bondholders that, so long as any Series 2011 Bonds remain Outstanding:

- (a) it will take all actions, if any, which shall be necessary in order further to provide for the levy, extension, collection and application of the Pledged Taxes;
- (b) it will not take any action or fail to take any action which would in any way adversely affect (1) the levy, extension, collection and application of the Pledged Taxes, except to abate those taxes to the extent that money is on hand and irrevocably set aside in the Bond Fund to pay principal of and interest on the Series 2011 Bonds as provided in Section 21, or (2) the ability of the City to impose or collect rates and charges for the use of the System;

- (c) it will comply with all applicable present and future laws concerning (1) the levy, extension and collection of the Pledged Taxes in order to ensure that the Pledged Taxes will be levied, extended and collected as provided in this Bond Ordinance and deposited into the Bond Fund, and (2) the imposition and collection of rates and charges for the use of the System in order to ensure that Pledged Revenues are collected and deposited into the Bond Fund as provided by this Bond Ordinance, in each case so that the City shall be able to pay the principal of and interest on the Series 2011 Bonds as they come due;
- (d) the City will punctually pay or cause to be paid from the Bond Fund the principal of, interest on and premium, if any, to become due in respect to the Series 2011 Bonds in strict conformity with the terms of the Series 2011 Bonds and this Bond Ordinance, and it will faithfully observe and perform all of the conditions, covenants and requirements thereof;
- (e) the City will pay and discharge, or cause to be paid and discharged, from the System Revenue Fund and the Bond Fund any and all lawful claims which, if unpaid, might become a lien or charge upon the Pledged Revenues or Pledged Taxes, or any part of them, or upon any funds in the hands of the Paying Agent, or which might impair the security of the Series 2011 Bonds. This covenant does not apply to pledges of the Revenues to pay Future Revenue Bonds or pledges of the Pledged Revenues to pay Additional Bonds in each case permitted by Section 23, or require the City to make any such payment so long as the City in good faith contests the validity of said claims;
- (f) the City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Pledged Revenues, the Pledged Taxes and to the Bond Fund;
- (g) the City will preserve and protect the security of the Series 2011 Bonds 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 Series 2011 Bonds by the City, the Series 2011 Bonds shall be incontestable by the City;
- (h) 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 Bond Ordinance, and for the better assuring and confirming unto the Bondholders of the rights and benefits provided in this Bond Ordinance;
- (i) As long as any Series 2011 Bonds are Outstanding, the City will continue to deposit the Pledged Revenues and, if applicable, the Pledged Taxes into the Bond Fund; and
- (j) Once issued, the Series 2011 Bonds shall be and forever remain until paid or defeased the general obligations of the City, for the payment of which its full faith and credit are pledged, and shall be payable, in addition to the Pledged Revenues, from the levy of the Pledged Taxes as provided in the Debt Reform Act.

Section 30. Registered Form. The City agrees that it will not take any action to permit the Series 2011 Bonds to be issued in, or converted into, bearer or coupon form.

Section 31. Additional Authority. The Mayor, the Treasurer, the Clerk and the other officers and employees of the City are authorized to execute and deliver on behalf of the City such other documents, agreements and certificates and to do such other things consistent

with the terms of this Bond Ordinance as such officers and employees shall deem necessary or appropriate in order to effectuate the intents and purposes of this Bond Ordinance.

Section 32. Conflicting Ordinances, Etc. All ordinances, resolutions and orders or parts of ordinances, resolutions and orders in conflict with this Bond Ordinance are repealed to the extent of such conflict.

Section 33. Severability. If any section, paragraph, clause or provision of this Bond Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Bond Ordinance.

Section 34. Effective Date. As provided in Section 15 of the Debt Reform Act, this Bond Ordinance shall be in full force and effect immediately upon its adoption. This Bond Ordinance shall be published in pamphlet form as soon as possible after its adoption and approval.

PASSED by the City Council of the City of East Moline, Illinois, on April 18, 2011.

Voting Aye (list names):

Voting Nay (list names):

Abstaining (list names):

Absent (list names):

APPROVED AND SIGNED by the Mayor on April 18, 2011.

Mayor

[SEAL]

ATTEST:

Clerk

EXHIBIT A

IEPA Loan Agreement

[Attach IEPA Loan Agreement]

LENDOR:

Illinois Environmental Protection Agency
Bureau of Water
Infrastructure Financial Assistance Section
P.O. Box 19276
1021 North Grand Avenue, East
Springfield, IL 62794-9276

RECIPIENT:

East Moline
915 16th Ave
East Moline, IL 61244-2127

FEIN: 366-005-860

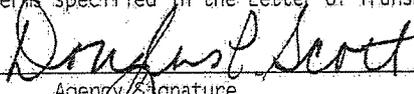
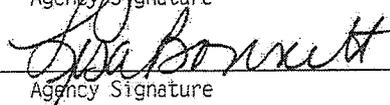
TERMS OF THE LOAN

Loan amount:	\$ 8,287,785.00	Initiation of operation:	03/26/2012
Annual fixed loan rate:	1.2500 %	Initiation of repayment period:	03/26/2012
Term:	20 years	First repayment due:	09/26/2012
Repayments:	Semi-annual	Final repayment due:	03/26/2032
Construction start:	04/01/2011		
Construction complete:	05/25/2012		

LOAN OFFER AND ACCEPTANCE

Offer by the State of Illinois Environmental Protection Agency

The Director (herein called the "Director") of the Illinois Environmental Protection Agency (herein called the "Agency") pursuant to the Environmental Protection Act, hereby offers to make a loan from the Water Revolving Fund, up to and not exceeding the above specified amount, at the fixed loan rate and repayment period given above, for the support of the efforts contained in the Project Description, herein. This Loan Offer is subject to all applicable State and Federal statutory and regulatory provisions, Standard and Special Loan Conditions, Procedures For Issuing Loans From the Water Pollution Control Loan Program (35 Ill. Adm. Code 365) and the terms specified in the Letter of Transmittal, attached hereto and included herein by reference.

	Douglas P. Scott, Director	<u>3/2/11</u>
Agency Signature	Name and Title	Date
By: 	Lisa Bonnett, Acting Deputy Director	
Agency Signature	Name and Title	

This offer must be accepted, if at all, on or before 04/01/2011.

Acceptance on behalf of the Borrower (SIGNATURE)

_____	_____
Authorized Representative	Date
Name and Title of Authorized Representative (Type or Print)	

PROJECT DESCRIPTION

Funds will be used to rehabilitate and upgrade components throughout the waste water treatment plant (WWTP) that are reaching or have exceeded their useful service life. Major components include primary clarifier, pump station, aeration basin and disinfection equipment rehabilitation. The improvements to the plant will improve system performance, reduce unnecessary maintenance costs and should reduce energy usage while allowing the WWTP to remain in compliance with regulatory requirements. While replacement and enclosure of the entire grit removal system is part of the project it has been classified as loan ineligible due to the process used to procure the equipment. All work will occur at the WWTP site. This work is covered by IEPA Construction Permit Number 2010-AB-0036.

PROJECT BUDGET

	TOTAL	ELIGIBLE
Construction	\$ 8,672,000.00	8,046,393.00
Contingency (3%)	260,160.00	241,392.00
Total Costs	\$ 8,932,160.00	8,287,785.00

The loan amount is \$ 8,287,785.00

COSTS EXCLUDED

LOAN INELIGIBLE

- \$3,607 cash allowance for brick was excluded. Cash allowances are ineligible under the WPCLP at the time of bidding, but will be reviewed for eligibility and may be paid from the contingency line item of the loan when the actual costs are known.
- Grit removal equipment was not competitively bid and therefore, is not eligible for loan funding. The total cost of the equipment is \$622,000.
- All associated engineering cost being paid with local funds.

SPECIAL CONDITIONS

1. PRINCIPAL FORGIVENESS

In accordance with the Procedures for Issuing Loans From the Water Pollution Control Loan Program Title 35 Ill. Adm. Code 365.260 (Loan Rules), \$2,071,947 of the loan amount will be forgiven by the State of Illinois pursuant to principal forgiveness provisions contained in the Loan Rules. This amount will not change and will not be required to be repaid.

2. BOND REQUIREMENTS

- a. The enacted bond ordinance and legal opinion from local counsel must be submitted and approved prior to first disbursement.
- b. The Bond and Bond Counsel opinion must be submitted prior to loan closing.

STANDARD CONDITIONS

See Attachment A

Attachment A

Loan Recipient: East Moline
L170329

Loan Agreement – Standard Conditions Illinois EPA Water Pollution Control Loan Program

1. PROJECT SCHEDULE

For the purposes of this agreement, the start date will be the date the agreement is executed by the governmental entity and the complete date will be the date of final repayment. Any obligation of the State of Illinois and the Agency to make any disbursement of loan funds shall terminate unless this project work is initiated and completed in accordance with the schedule contained in the Loan Agreement.

2. DISBURSEMENTS

Disbursement requests for project work will be processed based on costs incurred, subject to the appropriation of funds by the Illinois General Assembly. Such disbursement requests will be monitored for compliance with applicable state and federal laws and regulations, including Section 705/4(b)(2) of the Illinois Grant Funds Recovery Act (30 ILCS 705), and shall constitute quarterly reports as required therein by describing the progress of the project and the expenditure of the loan funds related thereto. Any loan funds remaining unexpended in the project account after all application loan conditions have been satisfied and a final loan amendment has been executed shall be returned to the State within forty-five (45) days of the execution date on the final loan amendment.

3. REPAYMENT SCHEDULE – Nature of Obligations, Fixed Loan Rate, Interest, Loan Support, and Principal Payments, and Principal Forgiveness.

- a) In accordance with Ill. Adm. Code 365.440, the fixed rate is comprised of interest and loan support, both of which are established annually and will be reported at the Agency's public hearing. The term "interest" is used in this Loan Agreement as well as future correspondence, repayment schedules, etc. to reflect both interest and loan support.
- b) This Loan Agreement has been issued and entered into pursuant to an authorizing ordinance of the loan recipient. The recipient recites that it has taken all required actions to enter into the Loan Agreement and has complied with all provisions of law in that regard.
- c) For purposes of determining the repayment amount, the principal amount of the loan shall be the total amount of loan disbursements made by the Agency under this Loan Agreement, plus interest treated as principal as provided in paragraph (g) below less the amount of principal forgiveness as defined in the special condition(s) of this loan agreement. The amount financed shall not exceed the amount identified in the approved authorizing ordinance.
- d) By this Loan Agreement, the loan recipient agrees to repay to the Agency (or, upon notice by the Agency to the loan recipient, the Agency's assignee) the principal amount of the loan with interest on the outstanding and unpaid principal amount of the loan from time to time until repaid in full, all as provided in this Loan Agreement.
- e) The final principal amount will be determined by the Agency after a final disbursement request, final inspection and project review have been made to ensure all applicable loan conditions have been satisfied.
- f) Simple interest on each loan disbursement will begin on the day after the date of the issuance of a warrant by the Comptroller of the State of Illinois.

g) Interest and principal on the loan will be due on the dates and in the amounts as set forth in repayment schedules provided for in this paragraph. Upon the initiation of the loan repayment period, the Agency shall establish and notify the loan recipient of an interim repayment schedule in accordance with the terms of this loan. After the Agency conducts the final review of the costs of the project to establish the final principal amount, the Agency shall establish and notify the loan recipient of a final repayment schedule. For purposes of calculating the repayment schedules, the Agency shall consider principal of the loan to consist of all unrepaid disbursements plus all unrepaid interest accrued on these disbursements at the time the schedule period begins. Each of these repayment schedules shall provide for repayment installments consisting of principal plus simple interest on the unpaid principal balance. The installment repayment amount may change when the interim repayment schedule is replaced by the final repayment schedule.

h) Interest on each loan disbursement shall be calculated on the basis of the total number of days from the date the interest begins to accrue to the beginning of the repayment period and will be calculated on a daily basis using a 365 day year. All interest due on the principal of the loan during the repayment period is calculated on a periodic basis.

i) The Loan Agreement shall be subject to prepayment at any time in whole or in part, at the option of the loan recipient, by payment of the outstanding principal plus accrued and unrepaid interest on that principal accrued to the date of prepayment.

4. MODIFIED OR SUBSEQUENT ORDINANCES

The ordinance authorizing entry into this Loan Agreement or dedicating the source of revenue shall not be amended or superseded substantively or materially without the prior written consent of the Agency.

5. DBE REPORTING REQUIREMENTS

The loan recipient is required to comply with the Disadvantaged Business Enterprise (DBE) reporting requirements as established and mandated by federal law and implemented in federal code: 40 CFR Part 33. Compliance with the code will necessarily involve satisfaction of the six (6) good faith efforts as set forth in the federal DBE program, and will require the use of the particular contract specifications and language for advertising of the project. More information and guidance on the DBE requirements is available on the IEPA web site at:

<http://www.epa.state.il.us/water/forms.html#financial-assistance>

6. COMPLIANCE WITH ACT AND REGULATIONS

The Agency shall not make any payments under this loan offer if the construction project has been completed and is being operated in violation of any of the provisions of the Clean Water Act, Environmental Protection Act and Water Pollution Control Regulations of Illinois (Title 35: Subtitle C: Chapter I: Pollution Control Board Regulations and Chapter II: Agency Regulations) adopted thereunder.

7. FINAL INSPECTION

The loan recipient must notify the Agency in writing within 30 days of the completion of project construction and submit the final change order, along with the contractor's final costs. The plans of record should be forwarded to the appropriate Agency regional field office. The Agency will schedule the final inspection within 60 days of the receipt of the notice, provided all necessary change orders have been submitted and approved by the Agency.

8. OPERATION AND MAINTENANCE OF THE PROJECT

The Agency shall not approve the final inspection for the project unless the loan recipient has certified that the training and operation and maintenance documents have been provided in accordance with 35 Ill. Adm. Code 365.740.

9. FLOOD INSURANCE

Evidence must be provided that flood insurance has been acquired on eligible structures constructed under this Loan Agreement as soon as structures are insurable.

10. DELINQUENT LOAN REPAYMENTS

- a) In the event that a repayment is not made by a loan recipient according to the loan schedule of repayment, the loan recipient shall notify the Agency in writing within 15 days after the repayment due date in accordance with 35 Ill. Adm. Code 365.1120 Delinquent Loan Repayments.
- b) After the receipt of this notification, the Agency shall confirm in writing the acceptability of the loan recipient's response or take appropriate action.
- c) In the event that the loan recipient fails to comply with the above requirements, the Agency shall promptly issue a notice of delinquency which requires a written response within 30 days.
- d) Failure to take appropriate action shall cause the Agency to pursue the collection of the amounts past due, the outstanding loan balance and the costs thereby incurred, either pursuant to the Illinois State Collection Act of 1986 (30 ILCS 210) or by any other reasonable means as may be provided by law.

11. SINGLE AUDIT ACT

Federal funds from Capitalization Grants for the Wastewater State Revolving Fund (i.e. see Catalogue of Federal and Domestic Assistance Number 66.458) which the Agency receives from the U.S. Environmental Protection Agency, may be used for this loan. Receipt of federal funds may require an annual audit which conforms to the Single Audit Act and O.M.B. Circular A-133. If a Single Audit is required, all loans from the Wastewater State Revolving Fund receiving federal funds must be audited and included in the audit report. The Agency will notify the recipient of any federal funds disbursed during the recipient's fiscal year.

12. SUBCONTRACTS UNDER CONSTRUCTION CONTRACTS

The award or execution of all subcontracts by a prime contractor and the procurement and negotiation procedures used by such prime contractor in awarding or executing such subcontracts shall comply with:

- a) All provisions of federal, State and local law.
- b) All provisions of 35 Ill. Adm. Code 365 with respect to fraud and other unlawful or corrupt practices.
- c) All provisions of 35 Ill. Adm. Code 365 with respect to access to facilities, records and audit of records.

13. REQUIREMENTS OF BOND ORDINANCE

If the dedicated source of revenue is pledged in a subordinate position to an existing revenue bond ordinance, the covenants regarding coverage and reserve shall be in accordance with 35 Ill. Adm. Code 365.940.

14. RECORDS RETENTION

The loan recipient agrees to establish and maintain the books and other financial records pertaining to this project in accordance with Generally Accepted Accounting Principles. The loan recipient shall maintain all books and records pertaining to this project for a period not less than 3 years from the date of the final loan closing. All records pertaining to the issuance of bonds and the repayment of this loan shall be maintained for a period not less than 3 years from the final repayment date. The loan recipient agrees to permit the Agency or its designated representatives, including the Illinois Auditor General and the Illinois Attorney General, to inspect and audit the books and financial records pertaining to the project and the expenditure of the loan funds related thereto.

15. CONTINUING DISCLOSURE

The recipient covenants and agrees that, if at any time the Agency shall notify the recipient that the recipient is deemed to be an "obligated person" for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the recipient shall promptly execute an undertaking in form acceptable to the Agency in compliance with the Rule in which the recipient shall agree, among other things, to provide annual financial information (as defined in the Rule) with respect to the recipient to all required information repositories for so long as the recipient shall be deemed an obligated person. The recipient shall be deemed to be an obligated person at any time one or more of the recipient's outstanding loans with the Agency which are pledged to secure bonds issued on behalf of the Agency and the aggregate principal amount of such loan or loans exceeds a percentage (currently 20%) of the aggregate principal amount of all loans of the Agency pledged to secure such bonds.

16. WAGE RATE REQUIREMENTS

The loan recipient is required to comply with Wage Rate requirements established in rules issued by the U.S. Department of Labor to implement the Davis-Bacon Wage Act and other related acts (29 CFR Parts 1, 3 and 5). These rules require a number of specific actions by the federal funding recipient (the IEPA), the sub-recipient (the loan recipient) and the contractor, including payroll record certification and reporting as required. More information and guidance on the Davis-Bacon Wage Act requirements are available on the IEPA web site at: <http://www.epa.state.il.us/water/forms.html#financial-assistance>

17. REPORTING REQUIREMENTS

The loan recipient will be required to comply with the volume and frequency of reporting requirements that may be required by the federal or State funding authority.

18. ADDITIONAL COMPLIANCE ITEMS

The loan recipient, prime contractor(s) and subcontractor(s) shall comply with applicable federal funding certifications, non-discrimination statutes, regulations and environmental standards, including but not limited to the following:

- a) The Americans with Disabilities Act of 1990, as amended, and 42 USC 12101
- b) New Restrictions on Lobbying 40 CFR Part 34
- c) Complete and keep on file, as appropriate, Immigration and Naturalization Service Employment Eligibility Form (I-9)

- d) False Claims Act – Prompt referral to USEPA’s Inspector General of any credible evidence of a false claim or criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving funds under this loan (Loan Recipient Only)
- e) The Coastal Zone Management Act of 1972, 16 U.S.C. 1451 (Loan Recipient Only)

19. CERTIFICATION

By accepting this loan offer, the loan recipient certifies under oath that all information in the loan agreement and the related loan application is true and correct to the best of the loan recipient’s knowledge, information and belief, and that the loan funds shall be used only for the purposes described in the loan agreement. This offer of loan funds is conditioned upon such certification.

EXHIBIT B

[Form of Series 2011 Bond]

UNITED STATES OF AMERICA

STATE OF ILLINOIS

COUNTY OF ROCK ISLAND

CITY OF EAST MOLINE

GENERAL OBLIGATION ALTERNATE BOND
(WATERWORKS AND SEWERAGE SYSTEM ALTERNATE REVENUE SOURCE),
SERIES 2011

BOND NO. R-__

PRINCIPAL AMOUNT: \$ _____

DATE OF MATURITY: _____, 20__

DATE OF BOND:

INTEREST RATE: 1.25%

REGISTERED OWNER: Illinois Environmental Protection Agency

The City of East Moline, Rock Island County, Illinois (the "City"), for value received, promises to pay to the Registered Owner specified above or that person's registered assigns, upon presentation and surrender of this bond at the corporate trust office of THE National Bank, East Moline, Illinois (the "Paying Agent"), the Principal Amount of this bond specified above on the Date of Maturity specified above and to pay to the Registered Owner of this bond interest on that sum at the Interest Rate per year specified above from the Date of Bond specified above to the date of payment of this bond, payable semi-annually on January 15th and July 15th of each year, with the first interest payment date being _____ 15, 201___. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on this bond shall be payable on each interest payment date by check or draft of the Paying Agent mailed to the person in whose name this bond is registered at the close of business on the first day of the month of that interest payment date. The principal of and interest on this bond is payable in lawful money of the United States of America. No interest shall accrue on this bond after its Date of Maturity unless this bond shall have been presented for payment at maturity and shall not then have been paid.

This bond is one of an authorized issue of Bonds in the aggregate principal amount of \$ _____ the proceeds of which are to be used to pay the costs of improving and extending the combined waterworks and sewerage collection and treatment system of the City (the "System") by acquiring, constructing and installing various capital improvements to the System including, in connection with those improvements and extensions, all mechanical, electrical and other facilities and services necessary, useful or advisable to the program of improvements and extensions and, incidental to those project costs, to pay bond discount, interest, bond reserve requirements, and legal, other financing and related administrative fees and costs, all as described in the Ordinances of the City adopted on October 2, 2006, April 19, 2010 and April 18, 2011 authorizing the issuance of this bond and the issue of Bonds of which it is a part (the "Ordinances"). This bond was issued in accordance with the Illinois Constitution, the

provisions of the Local Government Debt Reform Act, the Illinois Municipal Code, a referendum held in the City on April 17, 2007 at which a majority of the electors voting on the question approved the Project and the Bonds, and pursuant to the Ordinances. This bond and the issue of which it is a part (together, the "**Bonds**") have been issued by the City upon full payment for them as provided in the Ordinances. The full faith and credit of the City and the tax levy and revenues referred to below are irrevocably pledged to the punctual payment of the principal of and interest on this bond. This bond is a general obligation of the City.

For the purpose of punctually paying the principal of and interest on the Bonds, the City has (i) levied *ad valorem* taxes against all of the taxable property in the City without limitation as to rate or amount (the "**Pledged Taxes**"), and (ii) pledged irrevocably to the payment of the Bonds moneys (the "**Pledged Revenues**") derived from the revenues of the System on a parity with the City's outstanding General Obligation Refunding Alternate Bonds, Series 1998B, General Obligation Alternate Bonds, Series 2000A, and General Obligation Alternate Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2007 (collectively, the "**Outstanding Alternate Bonds**") after the required monthly deposits and credits have been made under the provisions of Ordinance No. 98-6 of the City providing for the issuance of senior lien water works and sewerage revenue bonds of the City, and future supplemental ordinances of the City, if any, authorizing the issuance of future series of prior lien waterworks and sewerage revenue bonds, and to certain prior lien accounts and purposes as set forth in such ordinances, all as authorized by the Local Government Debt Reform Act.

Under the Local Government Debt Reform Act and the Ordinances, the Pledged Revenues and Pledged Taxes will be deposited as received in the Bond Fund created by the Ordinances. Moneys on deposit in the Bond Fund are pledged to and shall be used first for the payment of principal of, premium, if any, and interest on the Bonds and then to make deposits into certain funds and accounts established under the Ordinances. The Ordinances provides that the Pledged Taxes may be abated subject to the conditions provided in the Ordinances.

This Bond does not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, unless the Pledged Taxes shall have been extended pursuant to the general obligation full faith and credit promise supporting the Bonds. In that event, the amount of the Bonds then outstanding will be included in the computation of indebtedness of the City for purposes of all statutory provisions or limitations until such time as an audit of the City shall show that the Bonds have been paid from the Pledged Revenues for a complete fiscal year.

The issuance of the Bonds does not cause the indebtedness of the City to exceed any limitation under the laws of the State of Illinois.

[Terms of Redemption]

Unless waived by the registered owner of this bond, notice of the redemption of Bonds which by their terms shall have become subject to redemption shall be given to the registered owner of each bond or portion of a bond called for redemption not less than 30 or more than 60 days before any date established for redemption of Bonds, by the Bond Registrar

(defined below) on behalf of the City, by registered or certified mail sent to the registered owner's last address, if any, appearing on the registration books kept by the Bond Registrar. Official notices of redemption will contain the information specified in the Ordinances. Prior to any redemption date, the City is required to deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all of the Bonds or portions of Bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner, shall affect the sufficiency of such notice with respect to other Bonds. Notice having been properly given, failure of a registered owner to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice.

This Bond is negotiable, subject to the following provisions for registration and registration of transfer. The City maintains books for the registration and registration of transfer of Bonds at the corporate trust office of THE National Bank, East Moline, Illinois, the Bond Registrar and Authenticating Agent appointed in the Ordinances (the "**Bond Registrar**" and "**Authenticating Agent**"). This bond is registered on those books and transfer of this bond may be registered on those books only upon surrender of this bond to the Bond Registrar by the registered owner or his or her attorney duly authorized in writing together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his or her duly authorized attorney. Upon surrender of this bond for registration of transfer, a new bond or Bonds in the same aggregate principal amount will be issued to the transferee as provided in the Ordinances.

This Bond may be exchanged, at the option of the registered owner, for an equal aggregate principal amount of Bonds of any other authorized denominations upon surrender of this bond at the principal office of the Bond Registrar together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his or her duly authorized attorney.

For every exchange or registration of transfer of this bond, the City or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge, other than one imposed by the City, required to be paid with respect to that exchange or transfer, and payment of that charge by the person requesting exchange or registration of transfer shall be a condition precedent to that exchange or registration of transfer. No other charge may be made by the City or the Bond Registrar as a condition precedent to exchange or registration of transfer of this bond.

The Bond Registrar will not be required to exchange or register the transfer of this bond during the period (a) from the close of business on the 15th day preceding the maturity date of this bond to the opening of business on such maturity date or (b) after notice of redemption of

this bond or any portion of this bond has been mailed, or (c) during the 15 days next preceding mailing of a notice of redemption of Bonds.

The City, the Paying Agent and the Bond Registrar may treat the registered owner of this bond as its absolute owner, whether or not this bond is overdue, for the purpose of receiving payment of the principal of or interest on this bond and for all other purposes, and neither the City, the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of the principal of and interest on this bond shall be made only to its registered owner, and all such payments shall be valid and effective to satisfy the obligation of the City on this bond to the extent of the amount paid.

All conditions which by law must have existed or must have been fulfilled in the issuance of this bond existed and were fulfilled in compliance with law. Provision has been made for the levy and collection of a direct annual irrevocable tax, in addition to all other taxes, sufficient to pay and discharge the principal of this bond at maturity and to pay interest on this bond as it falls due. The issuance of the Bonds by the City will not cause the City to exceed or violate any applicable limitation or condition respecting the issuance of Bonds imposed by the laws of Illinois or by any ordinance or resolution of the City. The Bonds are issued for purposes for which the City is authorized by law to issue Bonds.

This bond shall not be valid for any purpose unless and until the certificate of authentication on this bond shall have been duly executed by the Authenticating Agent.

IN WITNESS WHEREOF, the City of East Moline, Rock Island 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 the manual or duly authorized facsimile signature of its Clerk and has caused its corporate seal to be affixed to or impressed on this bond (or a facsimile of its seal to be printed on this bond), all as of the Date of Bond specified above.

**CITY OF EAST MOLINE, ROCK ISLAND
COUNTY, ILLINOIS**

By: [Signature of Mayor]
Mayor

[SEAL]

ATTEST:

[Signature of Clerk]
Clerk

[Form of Certificate of Authentication]

This bond is one of the Bonds described in the Ordinances authorizing the issuance of \$ _____ General Obligation Alternate Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2011, of the City of East Moline, Illinois.

THE NATIONAL BANK, as Authenticating Agent

By: _____

ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) _____
(Minor) _____
under Uniform Gifts to Minors Act _____
(State)

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as
tenants in common

Additional abbreviations may also be used though not in the above list.

[FORM OF ASSIGNMENT]

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

(Name and Address of Assignee)

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

Dated:

Signature guaranteed:

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

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in approved Signature Guarantee Medallion Program).

the Open Meetings Act at least 48 hours prior to the convening of the meeting; and (g) in the adoption of the ordinance, the City Council complied with all of the provisions of the Applicable Acts and with all of the procedural rules of the City Council.

IN WITNESS WHEREOF, I hereunto affix my official signature and the official seal of the City as of this __ day of _____, 201_.

[SEAL]

Clerk,
City of East Moline,
Rock Island County, Illinois