

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
JUNE 10, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
General Obligation Bond Issuance – Parameters Ordinance	Resolution ✓ Ordinance Motion Discussion Only	David Fieldman Acting Village Manager

SYNOPSIS

An ordinance authorizing General Obligation (GO) bond issuance and bond refundings pursuant to specific parameters has been prepared.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals identifies *Top Quality Village Infrastructure and Facilities*. A supporting objective is *Improve Neighborhood Infrastructure Curbs, Gutters, Streets, Sidewalks, Stormwater and Drainage System*.

FISCAL IMPACT

Pursuant to the attached bond issuance parameters ordinance, the annual principal and interest payments would not exceed \$4.0 million and the principal amount of the bond issuance would not exceed \$27.5 million. Please note that the principal amount of the bond issuance will be determined based on the interest rate and the annual principal and interest payments.

The FY08-12 CIP includes approximately \$27.3 million of expenditures in the Stormwater Fund over three fiscal years for the construction of selected projects identified in the Watershed Infrastructure Improvement Plan. These expenditures would include design and construction.

RECOMMENDATION

Approval on the June 17, 2008, active agenda.

BACKGROUND

At the April 22, 2008, Workshop, the Village Council approved a motion to authorize the Village Manager to proceed with a negotiated sale of GO bonds for the purpose of watershed improvements, which included the Village Council selection of an underwriter and Village Council consideration of a Parameters Ordinance.

The prepared Parameters Ordinance establishes the conditions under which authorized Village officials can sell the GO bonds and, if applicable, refund existing bond issuances that achieve established minimum savings to the Village. Approving the Parameters Ordinance will allow the Village to issue the bonds via a negotiated sale at the time the Village's Financial Advisor feels the market conditions are most favorable to the Village. The ordinance outlines the following parameters:

Stormwater Improvement Bond Issuance

- Method of Sale shall be Negotiated Sale
- Maximum Annual Debt Service Payments of \$4.0 million

- Maximum Principal Amount of \$27.5 million¹
- Bond Sale to be Completed by December 31, 2008. It is staff's intention to issue bonds within 60 days of the adoption of the Parameters Ordinance.
- Mayor is Authorized to Execute the Bond Purchase Agreement²

Bond Refunding

- Minimum Net Present Value Savings to the Village of 3.0%
- Maximum Size of Refunding of \$18.33 million³
- Refunding to be Completed by December 31, 2008
- Mayor is Authorized to Execute the Refunding Agreement⁴

Key Steps for the Issuance of GO Bonds through a Negotiated Sale

1. Village Council Selection of an Underwriter
2. Village Council Approval of a Parameters Ordinance
3. Obtain a Rating from Standard & Poors – Northern Trust will work with Standard & Poors, the Village's bond rating agency, to establish a bond rating for the proposed bond issuance and potential refunding.
4. Prepare and Distribute the Preliminary Official Statement – Northern Trust will prepare and distribute the Preliminary Official Statement (POS) to potential bond purchasers. The POS will provide information about the Village and the bond issuance to entities interested in purchasing the bonds.
5. Price the Bond Issue – Northern Trust and the selected bond underwriter will establish the principal, interest and debt service payment schedule for the bond issuance.
6. Execute the Bond Purchase Agreement – The authorized Village officials will execute the Bond Purchase Agreement. The agreement must conform to all criteria included in the Parameters Ordinance.
7. Close on the Bond Purchase Agreement – The authorized Village officials will execute all documents necessary to close on the Bond Purchase Agreement. The documents must conform to all criteria included in the Parameters Ordinance.

On March 31, 2008, the Village Council held a Special Workshop to discuss the issuance of GO bonds. The Village's Financial Advisor was present and led the discussion and answered questions the Village Council and the public had relative to the bond issuances. Northern Trust presented the Village Council with a market update, financing analysis of a three-part series bond issuance and any available refunding opportunities. Northern Trust advised that although interest rates have increased recently, current rates are at 10-year historic averages and below the 15-year average. After the March 31 Special Workshop, staff met with Northern Trust and the Village's Bond Counsel, Chapman & Cutler, to discuss how the Village should proceed with the bond issuance. During the follow-up meeting, Northern Trust recommended the process outlined above. Staff concurs with this recommendation.

Pursuant to the Village Council's Debt Management Policy, the Village should seek to minimize debt interest costs and consider market timing when issuing debt. During the preparation, review and approval of the FY08 Municipal Budget, the Council and staff discussed issuing bonds in mid- to late-2008. However, the interest rates for long term municipal bonds are currently fluctuating on a daily basis as changes in the secondary market continue to unfold. Despite these fluctuations, the average rates have remained relatively low when viewed from an historical perspective.

¹ This parameter has changed since it was presented on April 22, 2008, from \$28 million to \$27.5 million.

² This parameter has changed since it was presented on April 22, 2008, from "Mayor and Village Manager" to "Mayor."

³ This parameter has changed since it was presented on April 22, 2008, from \$15 million to \$18.33 million.

⁴ See Footnote 2.

During the FY08 budget process, the Village Council approved three funding sources for repayment of the bonds issued for the Watershed Infrastructure Improvement Plan. The sources include a quarter cent increase in the Home Rule sales tax (effective July 1), an annual property tax levy of \$2,130,000 (to fund debt service payments and annual stormwater maintenance expenses) and the pre-existing stormwater detention variance fee. It is anticipated that a GO bond of approximately \$24,679,000 will be issued in FY08, followed by a GO bond issuance of approximately \$24,124,000 in FY12 and finally a GO bond issuance of approximately \$23,464,000 in FY15. The thirty year funding projection for the WIIP has been attached to this report. General Obligation bonds are secured by the full faith and credit of the Village. In the event that the identified revenue sources fall short of projections, the Village is still obligated to make debt service payments. The Village would have to reduce spending in other areas, identify additional revenue sources, or increase the identified revenue sources to make the annual debt service payments.

In August 2007, staff presented a comprehensive financial review to the Village Council regarding funding strategies for the proposed Watershed Infrastructure Improvement Plan. Those alternatives were discussed with the Council as well as at a series of four public meetings prior to a more detailed review of these financial alternatives as a part of the annual budget process in October. On November 6, 2007, the Village Council authorized a professional services agreement with Northern Trust to provide an analysis of the Village's financial position and to provide a general strategy for the issuance of bonds to fund construction of the stormwater projects. On November 20, 2007, Northern Trust provided a report to the Village Council. The recommended strategy for three separate bond issuances (2008, 2012 and 2015) included the issuance of GO bonds with constant annual debt service payments in the amount of approximately \$4.0 million. This recommended strategy is consistent with the adopted FY08 Municipal Budget and the FY08-12 CIP.

ATTACHMENTS

Parameters Ordinance

EXTRACT OF MINUTES of the regular public meeting of the Council of the Village of Downers Grove, DuPage County, Illinois, held at Village Hall, 801 Burlington Avenue, in said Village, at 6:30 p.m., on the 17th day of June, 2008.

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

Upon the roll being called, the Mayor and the following Commissioners answered physically present at said location: _____

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

No Commissioner was refused permission to attend the meeting by video or audio conference.

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

The Council then discussed the necessity for the Village to undertake a public capital improvement project in and for the Village, including the construction, acquisition and installation of stormwater detention facilities (the "2008 Capital Improvement Project") and providing for the levy and collection of a direct annual tax for the payment of the principal of and interest on said bonds. The discussion noted that the proposed borrowing is authorized without referendum approval under the home rule powers of the Village, as supplemented by the Illinois Municipal Code, including, particularly, the Local Government Debt Reform Act, as supplemented and amended, and the other Omnibus Bond Acts, as amended, that the ordinance

authorizes certain officers of the Village to execute documents and take certain actions to effectuate the 2008 Capital Improvement Project and the issuance of the bonds.

Thereupon, Commissioner _____ presented and the Village Attorney explained in full the following ordinance, which was before the Council and made available to any person requesting one in words and figures as follows:

AN ORDINANCE providing for the issuance of General Obligation Bonds, Series 2008, of the Village of Downers Grove, DuPage County, Illinois, authorizing the execution of a bond order and an escrow agreement in connection therewith and providing for the levy and collection of a direct annual tax for the payment of the principal of and interest on said bonds.

(the "*Bond Ordinance*").

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

After discussion thereof, including a public recital of the nature of the matter being considered and such other information as would inform the public of the business being conducted, the Mayor directed that the roll be called for a vote upon the motion to adopt the Bond Ordinance.

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

and the following Commissioners voted NAY: _____
_____ .

WHEREUPON, the Mayor declared the motion carried and the ordinance adopted, and henceforth did approve and sign the same in open meeting, and directed the Village Clerk to

record the same in full in the records of the Council of the Village of Downers Grove, DuPage County, Illinois.

Other business was duly transacted at said meeting.

Upon motion duly made and carried, the meeting adjourned.

Village Clerk

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ORDINANCE NUMBER _____

AN ORDINANCE providing for the issuance of General Obligation Bonds, Series 2008, of the Village of Downers Grove, DuPage County, Illinois, authorizing the execution of a bond order and an escrow agreement in connection therewith and providing for the levy and collection of a direct annual tax for the payment of the principal of and interest on said bonds.

WHEREAS, by virtue of its population, the Village of Downers Grove, DuPage County, Illinois (the “*Village*”), is a home rule unit pursuant to Section 6 of Article VII of the 1970 Constitution of the State of Illinois, and as such is empowered to perform any function pertaining to its government and affairs, including the power to incur debt; and

WHEREAS, pursuant to the provisions of said Section 6, the Village has the power to incur debt payable from ad valorem property tax receipts or from any other lawful source and maturing within 40 years from the time it is incurred without prior referendum approval; and

WHEREAS, the Council of the Village (the “*Corporate Authorities*”) have heretofore, and it hereby is, determined, that it is advisable and necessary and in the public interest of the residents of the Village that the Village acquire, construct and install certain public capital infrastructure improvements, including but not limited to stormwater detention facilities, together with all necessary land and rights in land, professional, legal, engineering, electrical, financial and other services, costs of borrowing, reserves, capitalized interest, if any, and other related costs, all as heretofore presented to and approved by the Corporate Authorities as part of the Village’s ongoing capital infrastructure improvement program (being, collectively, the “*2008 Capital Improvement Project*”); and

WHEREAS, the estimated costs of the 2008 Capital Improvement Project are not more than \$27,500,000 and investment earnings thereon; and

WHEREAS, the Village has insufficient funds on hand and lawfully available to pay the costs of the 2008 Capital Improvement Project, and it will be necessary to borrow not to exceed

\$27,500,000 to pay the same, and in evidence of such borrowing to issue general obligation bonds of the Village as herein provided for in the aggregate principal amount of not to exceed \$27,500,000 (the “*Project Bonds*”); and

WHEREAS, the Village has heretofore issued and there are now outstanding certain bonds and obligations of the Village, including, specifically, certain General Obligation Bonds, Series 1998, General Obligation Bonds, Series 1999, General Obligation Bonds, Series 2000, General Obligation Bonds, Series 2001, General Obligation Bonds, Series 2002, and General Obligation Bonds, Series 2003A (collectively, the “*Prior Bonds*”); and

WHEREAS, the Corporate Authorities have heretofore and it hereby is determined that it is advisable and necessary and in the best interests of the Village that some or all of the Prior Bonds or other bonds and obligations of the Village (being the “*Refunded Bonds*”) be refunded (the “*Refunding*”) in order to achieve debt service savings and to restructure the indebtedness evidenced by the Prior Bonds; and

WHEREAS the specific Refunded Bonds will be determined in an escrow agreement as hereinafter authorized to be executed by and on behalf of the Village but are presently expected to be those Prior Bonds identified in the report of the Village’s financial advisor (“*Northern*”), heretofore presented to the Corporate Authorities; and

WHEREAS the estimated cost to the Village of the Refunding is the sum of not more than \$18,330,000 plus any estimated available amount of interest earnings on said sum prior to its expenditure; and

WHEREAS there are insufficient funds on hand and available to pay the costs of the Refunding, and it will be necessary to borrow not to exceed \$18,330,000 to pay the same, and in evidence of such borrowing to issue general obligation bonds of the Village as herein provided for in the aggregate principal amount of not to exceed \$18,330,000 (the “*Refunding Bonds*”)

WHEREAS, the Corporate Authorities have heretofore and it hereby is determined that it is advisable and necessary that such indebtedness be incurred in accordance with the Act as hereinafter defined, that the Project Bonds and that the Refunding Bonds be issued as one or more series of general obligation bonds in not to exceed the aggregate amount of \$45,830,000, without submitting the question of incurring such indebtedness to the electors of the Village for their approval, all as authorized and provided in the hereinafter defined Act:

NOW, THEREFORE, Be It Ordained by the Council of the Village of Downers Grove, DuPage County, Illinois, in the exercise of its home rule powers, as follows:

Section 1. Definitions. A. The following words and terms are as defined in the preambles hereto.

2008 Capital Improvement Project

Corporate Authorities

Prior Bonds

Project Bonds

Refunded Bonds

Refunding

Village

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

“Act” means the Illinois Municipal Code, as supplemented and amended, and particularly as supplemented and amended by the Local Government Debt Reform Act, as amended, and the other Omnibus Bond Acts, as amended, and as further supplemented, and where necessary, superseded, by Section 6 of Article VII of the 1970 Constitution of the State of Illinois.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“*Bond*” or “*Bonds*” means one or more, as applicable, of the General Obligation Bonds, Series 2008, authorized to be issued by this Ordinance.

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

“*Bond Fund*” means the 2008 General Obligation Bond Fund created in Section 14 of this Ordinance.

“*Bond Moneys*” means the Pledged Moneys, any other moneys deposited into the Bond Fund and investment income earned in the Bond Fund.

“*Bond Order*” means the written bond order and notification of sale to be executed by the Designated Officers and setting forth final details of the Bonds as hereinafter provided.

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

“*Bond Registrar*” means the Village Treasurer, acting in his or her capacity of bond registrar, or a successor thereto or a successor designated as bond registrar hereunder.

“*Book Entry Form*” means the form of Bonds in which they are delivered to a depository and held solely by a depository, or its nominee, as record owner, transfers of beneficial ownership for such Bonds being made by book entries in accordance with the procedures of such depository.

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

“*Corporate Authorities*” means the Council of the Village.

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

“*DTC*” means The Depository Trust Company, New York, New York, or successor depository duly qualified to do business as a securities depository, and assigns.

“*Designated Officers*” means the Mayor, Clerk, or Village Treasurer, or successors or assigns, or any of them acting together.

“Escrow Agent” means that bank of trust institution, having fiduciary powers, so designated in the Bond Order, and successors or assigns.

“Escrow Agreement” means that certain escrow agreement by and between the Village and the Escrow Agent, as hereinafter provided.

“2008 Full Faith and Credit Taxes” means the unlimited ad valorem taxes levied by and under this Ordinance on all of the taxable property in the Village, sufficient to pay all principal of and interest on the Bonds when due.

“Insurer” means the entity, if any, described in the Bond Order as the issuer of a financial guaranty insurance policy for the Bonds.

“Interest Payment Date” means a Stated Maturity of interest on the Bonds.

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

“Ordinance” means this Ordinance, numbered as set forth on the title page hereof, passed by the Corporate Authorities on the 17th day of June, 2008.

“Paying Agent” means the Village Treasurer, acting in his or her capacity as paying agent, or a successor thereto or a successor designated as paying agent hereunder.

“Private Business Use” means any use of any portion of the 2008 Capital Improvement Project by any person other than a state or local governmental unit, including as a result of (i)

ownership, (ii) actual or beneficial use pursuant to a lease or a management, service, incentive payment, research or output contract or (iii) any other similar arrangement, agreement or understanding, whether written or oral, except for use of any portion of the 2008 Capital Improvement Project on the same basis as the general public. “Private Business Use” includes any formal or informal arrangement with any person other than a state or local governmental unit that conveys special legal entitlements to any portion of the 2008 Capital Improvement Project that is available for use by the general public or that conveys to any person other than a state or local governmental unit any special economic benefit with respect to any portion of the 2008 Capital Improvement Project that is not available for use by the general public.

“*Project Costs*” means the sum total of all reasonable costs or necessary costs incurred in connection with the 2008 Capital Improvement Project.

“*Project Fund*” means the 2008 Capital Improvement Project Fund established and so defined in Section 14 of this Ordinance.

“*Purchaser*” means the initial purchaser of the Bonds from the Village.

“*Purchase Price*” means the price paid to the Village by the Purchaser for the Bonds, which shall be not less than ninety-eight percent (98.00%) of par (exclusive of original issue discount, if any, or original issue premium, if any).

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

“*Record Date*” means the fifteenth day of the month next preceding any regular Interest Payment Date occurs or fifteen days prior to any Interest Payment Date occasioned by a redemption of Bonds on other than a regularly scheduled Interest Payment Date.

“*Representation Letter*” means any letter or agreement to be executed among the Bond Registrar, the Village and DTC and necessary to effectuate a book entry system for the Bonds.

“Stated Maturity” when used with respect to any Bond or Refunded Bond or any interest thereon means the date specified in such Bond or Refunded Bond as the fixed date on which the principal of such Bond or Refunded Bond is due and payable, whether by maturity, mandatory redemption or otherwise.

“Tax-exempt” means, with respect to the Bonds, the status of interest paid and received thereon as excludable from gross income of the owners thereof under the Code for federal income tax purposes except to the extent that such interest is included in computing an adjustment used in determining the alternative minimum tax for certain corporations.

“Term Bonds” means Bonds which are subject to mandatory redemption prior to maturity by operation of the Bond Fund, as hereinafter provided.

“Village” means the Village of Downers Grove, DuPage County, Illinois.

“Village Treasurer” means the Treasurer/Finance Director of the Village.

C. For all purposes of this Ordinance, except as otherwise expressly provided herein or unless the context otherwise requires:

1. The terms defined in this Section or elsewhere in this Ordinance have the meanings assigned to them and include the plural as well as the singular (or vice-versa).

2. All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles for municipal enterprise funds.

3. All references in this Ordinance to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted.

4. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

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

Section 3. Determination To Issue Bonds. It is necessary and in the best interests of the Village to acquire, construct and install the 2008 Capital Improvement Project and to provide for the Refunding, to pay all related costs and expenses incidental thereto, and to borrow money and issue the Bonds for such purposes. It is hereby found and determined that such borrowing of money pertains to the government and affairs of the Village, is necessary for the welfare of the government and affairs of the Village, is for a proper public purpose or purposes and is in the public interest, and is authorized pursuant to the Act; and these findings and determinations shall be deemed conclusive.

Section 4. Bond Details. For the purpose of providing for the payment of the costs of the 2008 Capital Improvement Project and the costs of the Refunding, and to pay all related costs and expenses incidental thereto, there shall be issued and sold the Bonds in the aggregate principal amount of not to exceed \$45,830,000. The Bonds shall each be designated "General Obligation [Refunding] Bond, Series 2008" (or such other name or series designation as the Designated Officials shall determine to be appropriate and as shall be provided in the Bond Order), and shall be dated not earlier than June 15, 2008, or later than December 31, 2008, as shall be provided in the Bond Order (any such date being the "Dated Date"), and shall be in Authorized Denominations (but no single Bond shall represent principal maturing on more than one date), shall be numbered consecutively in such fashion as shall be determined by the Bond Registrar, and shall bear interest at the rates percent per annum and (subject to provisions for Term Bonds and subject to right of redemption as hereinafter provided) shall become due and payable serially on January 1 of the years and in the amounts as shall be set forth in the Bond

Order, *provided, however*, that no Bond shall mature on a date which is later than January 1, 2039, or bear interest at a rate percent per annum which is in excess of six percent (6.00%).

The principal of and redemption premium, if any, due on the Bonds shall be payable in lawful money of the United States of America upon presentation thereof at the principal office maintained for the purpose by the Paying Agent in Downers Grove, Illinois, or at the successor Paying Agent and locality.

Each Bond shall bear interest from the later of its Dated Date as herein provided or from the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal amount of such Bond is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2009, or on such other January 1 or July 1 as shall be set forth in the Bond Order.

All Bonds shall bear the date of authentication thereof, shall be in fully registered form and shall be in Book Entry Form. Interest on the Bonds shall be paid by check or draft of the Paying Agent, payable upon presentation thereof in lawful money of the United States of America, to the person in whose name such Bond is registered at the close of business on the applicable Record Date, or as otherwise agreed to by the Village and CEDE & CO., as nominee, or successor, for as long as the Bonds are held in Book Entry Form as provided for same.

Principal of and redemption price of the Bonds shall be paid upon surrender in lawful money of the United States of America, at the principal office maintained for the purpose by the Paying Agent in Chicago, Illinois, or at successor paying agent and locality.

Section 5. Execution; Authentication. The Bonds shall be executed on behalf of the Village by the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its Village Clerk, as they may determine, and

shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Village. In case any such officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. All Bonds shall have thereon a certificate of authentication, substantially in the form hereinafter set forth, duly executed by the Bond Registrar as authenticating agent of the Village and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

Section 6. Mandatory and Optional Redemption. A. Mandatory Redemption. If so provided in the Bond Order, any Bonds may be issued as Term Bonds and be subject to mandatory redemption by operation of the Bond Fund at a price of par, without premium, plus accrued interest to the date fixed for redemption, on January 1 of the years and in the amounts as shall be set forth in the Bond Order.

If the Village purchases Term Bonds of any maturity and cancels the same from Bond Moneys as hereinafter described, then an amount equal to the principal amount of Term Bonds so purchased shall be deducted from the mandatory redemption requirement as provided for Term Bonds of such maturity, first, in the current year of such requirement, until the requirement for the current year has been fully met, and then in any order of payment on the Term Bonds as

due at maturity or subject to mandatory redemption in any year as the Village shall at such time determine. If the Village redeems pursuant to optional redemption or purchases Term Bonds of any maturity and cancels the same from moneys other than Bond Moneys, then an amount equal to the principal amount of Term Bonds so redeemed or purchased shall be deducted from the amount of Term Bonds as due at Stated Maturity or subject to mandatory redemption requirement in any year as the Village shall determine. The Village shall provide the Bond Registrar with written notice of such reduction, which notice shall be given within 30 days after such redemption or purchase, and the Bond Registrar shall promptly give written notice of the same to the Bondholders, in the manner hereinafter provided.

B. Optional Redemption. If so provided in the Bond Order, the Bonds may also subject to redemption prior to maturity at the option of the Village, from any available moneys, on the dates as provided in the Bond Order, in whole or in part, and if in part, in such principal amounts and from such maturities as shall be determined by the Village and within any maturity by lot, at the redemption prices as shall be set forth in the Bond Order, *provided however* that no Bond shall have a redemption price which is in excess of 103% of the principal amount redeemed, plus accrued interest to the date fixed for redemption.

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

1. *Redemption Notice.* For a mandatory redemption of Term Bonds, the Bond Registrar shall proceed to redeem the Term Bonds without any further order or direction from the Village whatsoever. For an optional redemption, the Village shall, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount and maturities of Bonds to be redeemed.

2. *Selection of Bonds within a Maturity.* For purposes of any redemption of less than all of the Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar for the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided*, that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Series 2008 Bond or \$5,000 portion of a Series 2008 Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall make such selection (1) upon or prior to the time of the giving of official notice of redemption, or (2) in the event of a refunding or defeasance, upon advice from the Village that certain Bonds have been refunded or defeased and are no longer Outstanding as defined.

3. *Official Notice of Redemption.* The Bond Registrar shall promptly notify the Village in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed. Unless waived by the registered owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the Village by mailing the redemption notice by first class U.S. mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. All official notices of redemption shall include the name of the Bonds and at least the information as follows:

- (a) the redemption date;
- (b) the redemption price;

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

(d) a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and

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

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

5. *Bonds Shall Become Due.* Official notice of redemption having been given as described, the Bonds or portions of Bonds so to be redeemed shall, subject to the stated condition in paragraph (D) immediately preceding, on the redemption date, become due and payable at the redemption price therein specified, and from and after

such date (unless the Village shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. The procedure for the payment of interest due as part of the redemption price shall be as herein provided for payment of interest otherwise due.

6. *Insufficiency in Notice Not Affecting Other Bonds; Failure to Receive Notice; Waiver.* Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a Bond, shall affect the sufficiency of such notice with respect to other registered owners. Notice having been properly given, failure of a registered owner of a Bond to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner of a Bond entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. *In lieu of the foregoing official notice, so long as the Bonds are held in book entry form, notice may be given as provided in the Representation Letter, and the giving of such notice shall constitute a waiver by DTC and the book entry owner, as registered owner, of the foregoing notice. After giving proper notification of redemption to the Bond Registrar, as applicable, the Village shall not be liable for any failure to give or defect in notice.*

7. *New Bond in Amount Not Redeemed.* Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or

Bonds of like tenor, of Authorized Denominations, of the same maturity, and bearing the same rate of interest in the amount of the unpaid principal.

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

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

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

respect to the Bonds, which may contain other provisions relating to notice of redemption of Bonds.

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

Section 7. Book-Entry Form. The Bonds shall be initially issued in the form of a separate single fully registered Bond for each maturity. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register therefor in the name of CEDE & CO., or any successor thereto, as nominee of DTC. All of the outstanding Bonds from time to time shall be registered in the Bond Register in the name of CEDE & CO., as nominee of DTC. Any Designated Officer is authorized to execute and deliver on behalf of the Village a Representation Letter. Without limiting the generality of the authority given to the Designated Officers with respect to entering into such Representation Letter, it may contain provisions relating to (a) payment procedures, (b) transfers of the Bonds or of beneficial interest therein, (c) redemption notices or procedures unique to DTC, (d) additional notices or communications, and (e) amendment from time to time to conform with changing customs and practices with respect to securities industry transfer and payment practices.

With respect to Bonds registered in the Bond Register in the name of CEDE & CO., as nominee of DTC, the Village and the Bond Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institutions for which DTC holds Bonds from time to time as securities DTC (each such broker-dealer, bank or other financial institution being referred to herein as a “*DTC Participant*”) or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the meaning of the immediately preceding sentence, the Village and the Bond Registrar shall have no responsibility or obligation

with respect to (a) the accuracy of the records of DTC, CEDE & CO., or any DTC Participant with respect to any ownership interest in the Bonds, (b) the delivery to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, or any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds.

No person other than a registered owner of a Bond as shown in the Bond Register shall receive a Bond certificate with respect to any Bond. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., and subject to the provisions hereof with respect to the payment of interest to the registered owners of Bonds at the close of business on the first day of the month preceding the applicable interest payment date, the name "CEDE & CO." in this Ordinance shall refer to such new nominee of DTC.

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

owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions hereof. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

In the event that the Bonds ever become generally registrable, as aforesaid, any Designated Officer may, in his or her discretion at such time, designate a bank with trust powers or trust company, duly authorized to do business as a bond registrar, paying agent, or both, to act in one or both such capacities hereunder, in the event that the Designated Officers shall determine it to be advisable. Notice shall be given to the registered owners of any such designation in the same manner, as near as may be practicable, as for a notice of redemption of Bonds, and as if the date of such successor taking up its duties were the redemption date.

Section 8. Registration; Transfer; Exchange; Owners. The Village shall cause the Bond Register to be kept at the principal office maintained for the purpose by the Bond Registrar in Chicago, Illinois, which is hereby constituted and appointed the registrar of the Village for the Bonds. The Village is authorized to prepare, and the Bond Registrar or such other agent as the Village may designate shall keep custody of, multiple Bond blanks executed by the Village for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in this Ordinance. Upon surrender for transfer or exchange of any Bond at the principal office of the Bond Registrar, duly endorsed by or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Bond Registrar and duly executed by the registered owner or an attorney for such owner duly authorized in writing, the Village shall execute and the Bond Registrar shall

authenticate, date and deliver in the name of the transferee or transferees or, in the case of an exchange, the registered owner, a new fully registered Bond or Bonds of like tenor, of the same maturity, bearing the same interest rate, of Authorized Denominations, for a like aggregate principal amount.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business on the 1st day of the calendar month in which an interest payment date on the Bonds occurs to the opening of business on such interest payment date.

The execution by the Village of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond; *provided, however*, the principal amount of Bonds of each maturity authenticated by the Bond Registrar shall not at any one time exceed the authorized principal amount of Bonds for such maturity less the amount of such Bonds which have been paid.

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

No service charge shall be made to any registered owner of Bonds for any transfer or exchange of Bonds, but the Village or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Section 9. Security. The Village hereby pledges the full faith and credit of the Village to the Bonds, and the Bonds are secured by the Village's levy of the 2008 Full Faith and Credit Taxes.

Section 10. Form of Bonds. The Bonds shall be in substantially the forms hereinafter set forth; *provided, however,* that if the text of the Bond is to be printed in its entirety on the front side of the Bond, then the second paragraph of the front side of the Bond and the legend “See Reverse Side for Additional Provisions” shall be omitted and paragraphs on the reverse side of the Bond shall be inserted immediately after the first paragraph on the front side.

[Form of Bond - Front Side]

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA

STATE OF ILLINOIS

COUNTY OF DUPAGE

VILLAGE OF DOWNERS GROVE

GENERAL OBLIGATION [REFUNDING] BOND

SERIES 2008

See Reverse Side for
Additional Provisions

Interest Maturity Dated CUSIP
Rate: _____% Date: January 1, 20__ Date: _____, 2008 _____

Registered Owner: CEDE & CO.

Principal Amount: DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Village of Downers Grove, DuPage County, Illinois, a home rule unit, municipality and political subdivision of the State of Illinois (the “*Village*”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the Dated Date of this Bond identified above or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the Interest Rate per annum identified above, such interest to be payable on January 1 and July 1 of each year, commencing July 1, 2009, until the Principal Amount is paid or duly provided for, except as the hereinafter stated

provisions for redemption prior to maturity may and shall become applicable hereto. The principal of and redemption premium, if any, due on this Bond are payable in lawful money of the United States of America upon presentation hereof at the principal office maintained for the purpose by the Village Treasurer, as paying agent (the "*Paying Agent*"). Payment of interest shall be made to the Registered Owner hereof as shown on the registration books of the Village maintained by the Village Treasurer, as bond registrar (the "*Bond Registrar*"), at the close of business on the applicable Record Date. Interest on the Bonds shall be paid by check or draft of the Paying Agent, payable upon presentation in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Bond Registrar, or as otherwise agreed to by the Village and CEDE & CO., as nominee of DTC, for so long as this Bond is held in book-entry only form as provided for same. As long as the Bonds are held in Book Entry Form as provided in the hereinafter defined Ordinance, payments of principal of and interest on the Bonds may be paid to the registered owner thereof in same-day funds on each payment date as authorized hereunder.

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

It is hereby certified and recited that all conditions, acts and things required by the Constitution and Laws of the State of Illinois to exist or to be done precedent to and in the issuance of this Bond, have existed and have been properly done, happened and been performed in regular and due form and time as required by law; that the indebtedness of the Village, represented by the Bonds, and including all other indebtedness of the Village, howsoever evidenced or incurred, does not exceed any constitutional or statutory or other lawful limitation;

and that provision has been made for the collection of the 2008 Full Faith and Credit Taxes and and further, that the Village will comply with all of the covenants and maintain the funds and accounts as provided by the Ordinance.

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

IN WITNESS WHEREOF the Village of Downers Grove, DuPage County, Illinois, has caused this Bond to be executed by the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its Village Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the Dated Date identified above.

Mayor, Village of Downers Grove
DuPage County, Illinois

Attest:

Village Clerk, Village of Downers Grove
DuPage County, Illinois

[SEAL]

Date of Authentication: _____, _____

CERTIFICATE
OF
AUTHENTICATION

Bond Registrar and Paying Agent:
Village Treasurer
Downers Grove, Illinois

This Bond is one of the Bonds described in the within mentioned Ordinance and is one of the General Obligation [Refunding] Bonds, Series 2008, having a Dated Date of _____, 2008 of the Village of Downers Grove, DuPage County, Illinois.

VILLAGE TREASURER,
as Bond Registrar

By _____

[Form of Bond - Reverse Side]

This bond and each bond of the series of which it forms a part (the “*Bonds*”) are issued pursuant to Section 6 of Article VII of the 1970 Constitution of Illinois, as supplemented by Division 74.4 of Article 11 of the Illinois Municipal Code, as supplemented and amended, and particularly as supplemented by the Local Government Debt Reform Act of the State of Illinois and the other Omnibus Bond Acts, as supplemented and amended (together, the “*Act*”). The Bonds are being issued to pay a portion of the costs of a public capital improvement project in and for the Village (the “*2008 Capital Improvement Project*”) [and the Refunding], all as more fully described in proceedings adopted by the Council of the Village (the “*Corporate Authorities*”) and in an ordinance authorizing the issuance of the Bonds adopted by the Corporate Authorities on the 17th day of June, 2008 (as supplemented by a Bond Order and Notification of Sale, the “*Bond Ordinance*”), to all the provisions of which the holder by acceptance of this Bond assents.

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

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

The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business on the 1st day of the calendar month in which an Interest Payment Date to the opening of business on such Interest Payment Date.

The Bonds coming due on January 1, 20__, and January 1, 20__, are Term Bonds and are subject to mandatory redemption prior to maturity by operation of the Bond Fund, at a redemption price of par, without premium, plus accrued interest to the date fixed for redemption, on January 1 of the years and in the amounts as follows:

FOR THE 20__ TERM BONDS

YEAR	AMOUNT(\$)
------	------------

FOR THE 20__ TERM BONDS

YEAR

AMOUNT(\$)

The Bonds coming due on and after January 1, 20__, are subject to redemption prior to maturity on January 1, 20__, and any date thereafter, at a redemption price of par plus accrued interest and upon the additional terms as provided in the Bond Ordinance.

The Village, the Bond Registrar and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Village, the Bond Registrar and the Paying Agent shall not be affected by any notice to the contrary.

INSURANCE LEGEND APPEARS HERE

ASSIGNMENT

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

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint

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

Dated: _____

Signature guaranteed: _____

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

Section 11. Tax Levy; Abatement. A. TAX LEVY. For the purpose of providing funds required to pay the interest on the Bonds promptly when and as the same falls due, and to pay and discharge the principal thereof at maturity, there is hereby levied upon all of the taxable property within the Village, in the years for which any of the Bonds are outstanding, a direct annual tax sufficient for that purpose; and there is hereby levied on all of the taxable property in the Village, in addition to all other taxes, a direct annual tax sufficient for that purpose; and there is hereby levied on all of the taxable property in the Village, in addition to all other taxes, the direct annual taxes (the “2008 Full Faith and Credit Taxes”) for the years and in the amounts as shall be set forth in the Bond Order, *provided* that the 2008 Full Faith and Credit Taxes levied for any one tax year shall not exceed \$4,000,000.

The Village covenants and agrees with the Purchaser and registered owners of the Bonds that so long as any of the Bonds remain outstanding, the Village will take no action or fail to take any action which in any way would adversely affect the ability of the Village to levy and collect the foregoing tax levies. The Village and its officers will comply with all present and future applicable laws in order to assure that the 2008 Full Faith and Credit Taxes may be levied, extended and collected as provided herein and deposited into a fund hereby created and to be known as the “2008 Full Faith and Credit Taxes Bond Fund” (the “*Bond Fund*”) which fund shall be a trust fund for the benefit of the registered owners of the Bonds and shall be held segregated and apart from other funds of the Village. In the event that the 2008 Full Faith and Credit Taxes, or any of them, are ever extended for collection, such taxes shall be deposited by the Village upon receipt into the Bond Fund and shall be used solely and only to pay the principal of and interest on the Bonds. Monies to the credit of the 2008 Full Faith and Credit

Taxes Account shall be used first and are pledged for paying the principal of and interest and applicable premium on the Bonds.

Interest or principal coming due at any time when there are insufficient funds on hand from the 2008 Full Faith and Credit Taxes to pay the same shall be paid promptly when due from current funds on hand (including funds in the Project Fund as hereinafter provided) in advance of the collection of the 2008 Full Faith and Credit Taxes herein levied; and when the 2008 Full Faith and Credit Taxes shall have been collected, reimbursement shall be made to said funds in the amount so advanced.

B. ABATEMENT. Whenever and only when other funds from any lawful source are made available for the purpose of paying any principal of or interest on of the Bonds, so as to enable the abatement of the taxes levied herein for the payment of same, the Corporate Authorities shall, by proper proceedings, direct the deposit of such funds into the Bond Fund and further shall direct the abatement of the taxes by the amount so deposited. A certified copy or other notification of any such proceedings abating taxes may then be filed with the County Clerk in a timely manner to effect such abatement.

Section 12. Filing with County Clerk. Promptly, as soon as this Ordinance becomes effective, a copy hereof, certified by the Village Clerk of the Village, and an executed copy of the Bond Order shall be filed with the County Clerk; and said County Clerk shall in and for each of the years as shall be set forth in the Bond order ascertain the rate percent required to produce the aggregate tax hereinbefore provided to be levied in each of said years and in said County; and said County Clerk shall (to the extent said tax has not been abated as provided herein) extend the same for collection on the tax books in connection with any other taxes that may be levied in said years in and by the Village for general corporate purposes of the Village; and in said years such annual tax shall be levied and collected by and for and on behalf of the Village in like

manner as provided by law for the levy and collection of taxes for general corporate purposes for said years, without limit as to either rate or amount, and in addition to and in excess of all other taxes.

Section 13. Sale of Bonds. The Designated Officers are hereby authorized to proceed, without any further authorization or direction whatsoever from the Council, to sell and deliver the Bonds, in one or more series, upon the terms as prescribed in this Section, pursuant to one or more Bond Orders. Each series of Bonds shall be sold and delivered to the Purchasers at the Purchase Price, plus accrued interest to the date of delivery. Each such sale shall be made upon the advice (in the form of a written certificate or report) of Northern that the terms of the Bonds are fair and reasonable in view of current conditions in the bond markets. As an additional limitation on the sale of the Bonds, if any Bonds are sold to pay costs of the Refunding, each such certificate or report (as hereinabove described) must set forth that the Refunding will provide a present value debt service savings to the Village resulting from the issuance of Bonds to refund each maturity, or part of a maturity, of the Refunded Bonds which are chosen to be refunded, which report shall demonstrate that the Village will realize a minimum net present value savings of three percent (3.00%) of the debt service on the Refunded Bonds being refunded. The Designated Officers may choose all or any lesser portion of the Refunded Bonds eligible to be refunded, in such manner as will provide such savings.

Nothing in this Section shall require the Designated Officers to sell any of the Bonds if in their judgment, aided by the Village's financial advisors, the conditions in the bond markets shall have deteriorated from the time of adoption thereof or the sale of all or any portion of the Bonds shall for some other reason not be deemed advisable, but the Designated Officers shall have the authority to sell the Bonds in any event so long as the limitations set forth in this Ordinance and the conditions of this Section shall have been met. As a further exercise of this authority, the

Designated Officers may sell the Bonds in more than one series; and, in such event, shall be authorized to change the name of the Bonds for each such series so that such series may properly be identified separately. Further, in such event, the provisions for registration, redemption and exchange of Bonds shall be read as applying to Bonds only of each series, respectively, and not as between series. Upon the sale of the Bonds or any series of the Bonds, the Designated Officers and any other officers of the Village as shall be appropriate, shall be and are hereby authorized and directed to approve or execute, or both, such documents of sale of the Bonds as may be necessary, including, without limitation, the Bond Order, Preliminary Official Statement, Official Statement, Bond Purchase Contract (as hereinafter defined), a tax agreement and certificate as prepared by Bond Counsel (a "*Tax Certificate*"), and closing documents. The Designated Officers must find and determine in the Bond Order that no person holding any office of the Village either by election or appointment, is in any manner financially interested either directly, in his or her own name, or indirectly in the name of any other person, association, trust or corporation in said Bond Purchase Contract with the Purchasers for the purchase of the Bonds. The distribution of the Preliminary Official Statement relating to the Bonds is hereby in all respects authorized and approved, and the proposed use by the Purchasers of an Official Statement (in substantially the form of the Preliminary Official Statement but with appropriate variations to reflect the final terms of the Bonds) is hereby approved. The Designated Officers shall execute a bond purchase contract for the sale of the Bonds to the Purchasers (the "*Bond Purchase Contract*") in the form approved by the attorney for the Village, which may be in the form of an Official Bid Form. Upon the sale of the Bonds, the Designated Officers shall prepare the Bond Order, which shall include the pertinent details of sale as provided herein, and such shall be entered into the records of the Village and made available to the Council at the next public meeting thereof. The Designated Officers shall also file with the County Clerk the Bond

Order or like document including a statement of taxes. The authority granted in this Ordinance to the Designated Officers to sell Bonds as provided herein shall expire on December 31, 2008.

The Designated Officers are hereby authorized to take any action as may be required on the part of the Village to consummate the transactions contemplated by the Purchase Contract, this Ordinance, said Preliminary Official Statement, said final Official Statement, the Tax Certificate and the Bonds.

Section 14. Creation of Funds and Appropriations. A. Accrued interest on the Series 2008 Bonds, together with the amount cash on hand and lawfully available as shall be set forth in the Bond Order, shall be and is hereby appropriated for the purpose of paying first interest due on the Series 2008 Bonds, and to such end is hereby ordered to be deposited into the Bond Fund.

B. The sum necessary shall be used to pay costs of issuing the Bonds and to that end shall be deposited into an Expense Fund, hereby created, and shall be disbursed therefrom by the Treasurer from time to time as necessary. Any funds on deposit in the Expense Fund and not so disbursed within six months after issuance of the Bonds shall be transferred to the Bond Fund.

C. Premium, if any, received upon the delivery of the Bonds and principal proceeds of the Bonds as is necessary, together with such money in the debt service funds for the Refunded Bonds as may be advisable for the purpose, shall be used to provide for the Refunding, pursuant to the provisions of an Escrow Agreement with the Escrow Agent, in the form as provided by Bond Counsel and approved by the Village Attorney, made a part hereof by this reference, and hereby approved; the officers appearing signatory to such Escrow Agreement are hereby authorized and directed to execute same, their execution to constitute conclusive proof of action in accordance with this Ordinance, and approval of all completions or revisions necessary or appropriate to effect the Refunding.

D. The balance of the amounts received from the sale of the Bonds shall be used to pay costs of the 2008 Capital Improvement Project and to that end shall be deposited into a separate and segregated account of the Village, hereby created, and to be known as the “2008 Capital Improvement Project Fund” (the “2008 Capital Improvement Project Fund”). Monies on deposit in and to the credit of the 2008 Capital Improvement Project Fund shall be disbursed from time to time as needed by the Village Treasurer, without further official action or direction of the Corporate Authorities, in accordance with normal Village procedures for disbursements of corporate funds for capital projects. Upon the completion of the 2008 Capital Improvement Project, as certified to the Village Treasurer by the architect or engineer in responsible charge of the 2008 Capital Improvement Project, remaining funds, if any, on deposit in and to the credit of the 2008 Capital Improvement Project Fund shall be transferred by the Village Treasurer, without further official action of or direction by the Corporate Authorities, to the Bond Fund. Monies on deposit in and to the credit of the 2008 Capital Improvement Project Fund may be invested by the Village Treasurer in any investments lawful under Illinois law for Village funds, without further official action of or direction by the Corporate Authorities.

Without further official action of or direction by the Corporate Authorities, if necessary to ensure the timely payment of principal of and interest on the Bonds, monies on deposit in the 2008 Capital Improvement Project Fund may be transferred by the Village Treasurer at any time to the Bond Fund in anticipation of the collection of 2008 Full Faith and Credit Taxes. Any amount so transferred shall be promptly repaid upon the collection of 2008 Full Faith and Credit Taxes.

Section 15. Reimbursement. None of the proceeds of the Bonds (including all of the Refunded Bonds) will be or was used to pay, directly or indirectly, in whole or in part, for an expenditure that has or had been paid by the Village prior to the date of adoption by the

Corporate Authorities of this Ordinance or, with reference to the Refunded Bonds, the ordinances authorizing the issuance of the Refunded Bonds. This Ordinance is itself a declaration of intent under Treasury Regulation Section 1.150-2 as to all costs of the 2008 Capital Improvement Project paid after the date of adoption of this Ordinance and prior to the issuance of the Bonds.

Section 16. Not Private Activity Bonds. None of the Bonds or the Prior Bonds (including all of the Refunded Bonds) is a “private activity bond” as defined in Section 141(a) of the Code. In support of such conclusion, the Village certifies, represents and covenants as follows:

A. None of the proceeds of the Bonds or the Prior Bonds, plus investment earnings thereon, will be or has been used in any Private Business Use.

B. No direct or indirect payments are to be made on any Bond or Prior Bond with respect to any private business use by any person other than a state or local governmental unit.

C. None of the proceeds of the Bonds is to be used, and none of the Prior Bonds was or is to be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit.

Section 17. Registered Form. The Village recognizes that Section 149 of the Code requires the Bonds to be issued and to remain in fully registered form in order to be and remain Tax-exempt. In this connection, the Village agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form.

Section 18. Further Tax Covenants; Rebate; Bank Qualification. A. The Village agrees to comply with all provisions of the Code which, if not complied with by the Village, would cause the Bonds not to be Tax-exempt. In furtherance of the foregoing provisions, but without limiting their generality, the Village agrees: (a) through its officers, to make such further

specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to comply with all representations, covenants and assurances contained in certificates or agreements as may be prepared by Bond Counsel; (c) to consult with Bond Counsel and to comply with such advice as may be given; (d) to file such forms, statements and supporting documents as may be required and in a timely manner; and (e) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Village in such compliance.

B. The Village further certifies and covenants as follows with respect to the requirements of Section 148(f) of the Code, relating to the rebate of “excess arbitrage profits” (the “*Rebate Requirement*”) to the United States:

1. Unless an applicable exception to the Rebate Requirement is available to the Village, the Village will meet the Rebate Requirement.

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

3. The Designated Officers shall cause to be established, at such time and in such manner as they may deem necessary or appropriate hereunder, a “2008 General Obligation Bonds Rebate [or Penalty, if applicable] Fund” (the “*148 Compliance Fund*”) for the Bonds, and such officers shall further, not less frequently than annually, cause to be transferred to the 148 Compliance Fund the amount determined to be the accrued liability under the Rebate Requirement or Penalty. Said officers shall cause to be paid to the U.S., without further order or direction from the Council, from time to time as required, amounts sufficient to meet the Rebate Requirement or to pay the Penalty.

4. Interest earnings in the Bond Fund are hereby authorized to be transferred, without further order or direction from the Corporate Authorities, from time to time as required, to the 148 Compliance Fund for the purposes herein provided; and proceeds of the Bonds and other funds of the Village are also hereby authorized to be used to meet the Rebate Requirement or to pay the Penalty, but only if necessary after application of investment earnings as aforesaid and only as appropriated by the Corporate Authorities.

C. The Village also certifies and further covenants with the Purchaser and registered owners of the Bonds from time to time outstanding that moneys on deposit in any fund or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, will not be used in a manner which will cause the Bonds to be “arbitrage bonds” within the meaning of Code Section 148 and any lawful regulations promulgated thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised.

Section 19. Opinion of Counsel Exception. The Village reserves the right to use or invest moneys in connection with the Bonds in any manner, notwithstanding the tax-related covenants set forth in Sections 15 through 18 herein, *provided* it shall first have received an opinion from Bond Counsel to the effect that use or investment of such moneys as contemplated is valid and proper under applicable law and this Ordinance and, further, will not adversely affect the Tax-exempt status of the Bonds.

Section 20. Rights and Duties of Bond Registrar. If requested by the Bond Registrar and Paying Agent, any Designated Officer is authorized to execute the Bond Registrar’s and Paying Agent’s standard form of agreement between the Village and the Bond Registrar and Paying Agent with respect to the obligations and duties of the Bond Registrar and Paying Agent

hereunder. In addition to the terms of such agreement or agreements and subject to modification thereby, the Bond Registrar and Paying Agent by acceptance of duties hereunder agree:

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

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

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

(d) for the Bond Registrar, to furnish the Village at least annually a certificate with respect to Bonds cancelled and/or destroyed; and

(e) for the Bond Registrar, to furnish the Village at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds.

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

Section 21. Bond Insurance. If the Bonds are issued with a commitment by an Insurer to issue a financial guaranty or municipal bond insurance policy (a "*Policy*"), such commitment for the Policy shall be attached to the Bond Order and also shall be attached hereto as EXHIBIT A and shall be specifically incorporated into this Ordinance by this reference. As long as such Policy shall be in full force and effect, the Village and the Bond Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of the Bonds, subrogation of the rights of the Bondholders to the Bond Insurer when holding Bonds, amendment hereof, or other terms, all as set forth in said commitment.

Section 23. Continuing Disclosure Undertaking. The Designated Officers are hereby authorized to execute and deliver the Continuing Disclosure Undertaking, in substantially the form attached provided by Bond Counsel and approved by the Village Attorney, to effect compliance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. When such Continuing Disclosure Undertaking is executed and delivered on behalf of the Village, it will be binding on the Village and the officers, agents, and employees of the Village, and the same are hereby authorized and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of such Continuing Disclosure Undertaking as executed and delivered. Notwithstanding any other provisions hereof, the sole remedies for failure to comply with such Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek mandamus or specific performance by court order, to cause to the Village to comply with its obligations thereunder.

Section 24. Defeasance. Bonds which (a) are paid and cancelled, (b) which have matured and for which sufficient sums been deposited with the Paying Agent to pay all principal thereof and interest due thereon, or (c) for which sufficient U.S. funds and full faith and credit obligations of the United States of America, obligations the timely payment of which are guaranteed by the United States Treasury, or certificates of participation in a trust comprised solely of full faith and credit obligations of the United States of America have been deposited with the Paying Agent or similar institution to pay, taking into account investment earnings on such obligations, all principal of and interest on Bonds when due at maturity or redemption, as applicable, pursuant to an irrevocable escrow or trust agreement, shall cease to have any lien on or right to receive or be paid from the Bond Moneys hereunder and shall no longer have the benefits of any covenant for the registered owners of outstanding Bonds as set forth herein as

such relates to lien and security of the outstanding Bonds. All covenants relative to the Tax-exempt status of the Bonds, and payment, registration, transfer, and exchange, are expressly continued for all Bonds whether Outstanding Bonds or not.

Section 25. Taxes Previously Levied. In the event that any Bonds are issued for purposes of paying costs of a Refunding, the provisions of this Section shall apply. To the extent not abated, the taxes previously levied for the year 2007 (collectible in 2008) to pay the Refunded Bonds shall be used to effectuate the Refunding as provided in the Escrow Agreement, or to the extent not needed due to the issuance of the Bonds, shall be deposited into the Bond Fund and used to pay first interest coming due on the Bonds or shall be abated. Taxes levied for the year 2008 (collectible in 2009) and thereafter for the Refunded Bonds shall be abated. The Designated Officers are hereby expressly authorized to file an abatement certificate with the County Clerk, without further official action of the Corporate Authorities, to effectuate such abatement.

Section 26. Publication of Ordinance. A full, true and complete copy of this Ordinance shall be published within ten days after passage in pamphlet form by authority of the Corporate Authorities.

Section 27. Superseder and Effective Date . All ordinances, resolutions and orders, or parts thereof, in conflict herewith, are to the extent of such conflict hereby superseded; and this Ordinance shall be in full force and effect immediately upon its passage.

AYES: _____

NAYS: _____

ABSENT: _____

ADOPTED: This 17th day of June, 2008.

APPROVED: This 17th day of June, 2008:

Mayor, Village of Downers Grove
DuPage County, Illinois

RECORDED In Village Records: This 17th day of June, 2008.

PUBLISHED in pamphlet form by authority of the Council on June 17, 2008.

Attest:

Village Clerk, Village of Downers Grove
DuPage County, Illinois

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

**CERTIFICATION OF MINUTES AND ORDINANCE
AND CERTIFICATION OF PUBLICATION IN PAMPHLET FORM**

I, the undersigned, do hereby certify that I am the duly qualified and acting Village Clerk of the Village of Downers Grove, DuPage County, Illinois (the "*Village*"), and as such official I am the keeper of the official journal of proceedings, books, records, minutes and files of the Village and of the Council (the "*Of DuPage*") thereof.

I do further certify that the foregoing is a full, true and complete transcript of that portion of the minutes of the meeting of the Council held on the 17th day of June, 2008, insofar as the same relates to the adoption of an ordinance entitled:

AN ORDINANCE providing for the issuance of General Obligation Bonds, Series 2008, of the Village of Downers Grove, DuPage County, Illinois, authorizing the execution of a bond order and an escrow agreement in connection therewith and providing for the levy and collection of a direct annual tax for the payment of the principal of and interest on said bonds.

a true, correct and complete copy of which said ordinance as adopted at said meeting appears in the foregoing transcript of the minutes of said meeting.

I do further certify that the deliberations of the Council on the adoption of said ordinance were taken openly; that the vote on the adoption of said ordinance was taken openly; that said meeting was held at a specified time and place convenient to the public; that notice of said meeting was duly given to all newspapers, radio or television stations and other news media requesting such notice; that an agenda for said meeting was posted on a day which was not a Saturday, Sunday or legal holiday for Illinois municipalities and at least 48 hours in advance of holding said meeting at the location where said meeting was held and at the principal office of the Council; and that said meeting was called and held in strict compliance with the provisions of the Open Meetings Act of the State of Illinois, as amended, and that the Council have complied with all of the provisions of said Act and said Code, except as validly superseded by the home rule powers of the Village, and with all of the procedural rules of the Council in the adoption of said ordinance.

I do further certify that the Ordinance was published by authority of the Corporate Authorities in pamphlet form on the 17th day of June, 2008, and the Ordinance as so published was on said date readily available for public inspection and distribution, in sufficient number to meet the needs of the general public, at my office as Village Clerk located in the Village.

IN WITNESS WHEREOF I hereunto affix my official signature and the seal of the Village
this 17th day of June, 2008.

Village Clerk

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

VIDEO/AUDIO ATTENDANCE CERTIFICATE

I, the undersigned, do hereby certify that I am the duly qualified and acting Village Clerk of the Village of Downers Grove, DuPage County, Illinois (the “*Village*”), and as such official I do further certify as follows:

1. That at the meeting of the Council of the Village (the “*Corporate Authorities*”) on the 17th day of June, 2008 (the “*Meeting*”), _____ attended the Meeting by video or audio conference.

2. That said member(s) of the Corporate Authorities was/were prevented from physically attending the Meeting because of the reason(s) as follows:

MEMBER

REASON¹

3. That said member(s) of the Corporate Authorities notified me before the Meeting that he/she/they wished to attend the Meeting by video or audio conference.

4. That attached hereto as *Exhibit 1* is a true, correct and complete copy of the rules adopted by the Corporate Authorities for allowing a member of the Corporate Authorities to attend a meeting of the Corporate Authorities by video or audio conference.

5. That the Meeting was duly called, noticed and held in strict compliance with all of the provisions of the Open Meetings Act of the State of Illinois, as amended, except as said Act

¹ Section 7 of the Open Meetings Act of the State of Illinois, as amended, provides the following three reasons a person may be prevented from physically attending a meeting: (i) personal illness or disability; (ii) employment purposes or the business of the public body; or (iii) a family or other emergency.

may be superseded by the home rule powers of the Village, and the ordinances, resolutions, rules, regulations and proceedings of the Corporate Authorities.

IN WITNESS WHEREOF, I hereunto affix my official signature and the official corporate seal of the Corporate Authorities, this 17th day of June, 2008.

Village Clerk

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

CERTIFICATE OF FILING

I, the undersigned, do hereby certify that I am the duly qualified and acting County Clerk of The County of DuPage, Illinois, and as such officer I do hereby certify that on the ___ day of June, 2008, there was filed in my office a properly certified copy of an ordinance passed by the Council of the Village of Downers Grove, DuPage County, Illinois, on the 17th day of June, 2008, and entitled:

AN ORDINANCE providing for the issuance of General Obligation Bonds, Series 2008, of the Village of Downers Grove, DuPage County, Illinois, authorizing the execution of a bond order and an escrow agreement in connection therewith and providing for the levy and collection of a direct annual tax for the payment of the principal of and interest on said bonds.

and that the same has been deposited in the official files and records of my office.

IN WITNESS WHEREOF I have hereunto affixed my official signature and the seal of The County of DuPage, Illinois, this ____ day of June, 2008.

County Clerk of The County of
DuPage, Illinois

[SEAL]