

CERTIFICATE OF THE VILLAGE OF LOMBARD,  
DUPAGE COUNTY, ILLINOIS RE: ARBITRAGE AND FEDERAL  
TAX MATTERS

STATE OF ILLINOIS        )  
                                  ) SS:  
COUNTY OF DUPAGE        )

We, the undersigned, certify that we are the duly elected or appointed officials of the Village of Lombard, DuPage County, Illinois ("Village"), holding the offices appearing under our names, are the officials under whose jurisdiction the Project described below will be constructed and the proceeds of the Bonds described below will be expended, are authorized to execute this certificate on behalf of the Village and are officers of the Village charged by the Ordinance adopted June 18, 2009 ("Ordinance") by the President and Board of Trustees of the Village with actually issuing the Bonds.

We further certify that:

1.     Applicable Laws. This certificate is executed for the purpose of, among other matters, setting forth the facts and estimates upon which the Village represents that the Bonds do not and will not bear interest which is includable in the gross income of their owners and bases its reasonable expectations that the Bonds are not arbitrage bonds under (i) the applicable sections of the Internal Revenue Code in effect on the date hereof (the "Code") and (ii) Treasury Regulations Sections 1.148-0 through 11, 1.149(b)-1, 1.149(e)-1, 1.149(g)-1 and 1.150-1 through -2 to the extent applicable on the date hereof ("Regulations"). Unless otherwise indicated by the context in which they are used, words and phrases used in this certificate have the meaning ascribed to them in the Regulations.

2.     Summary of Financing. We are cognizant of the facts and circumstances regarding the issuance of special assessment bonds of the Village in the amount of \$847,000, designated

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"Special Assessment Number 217B Bonds" ("Bonds"), dated July 1, 2009, and the intended use of the proceeds of the Bonds to finance the construction of approximately 3,800 feet of new roadway on Joyce Avenue, LeMoyne Avenue, and Vista Avenue and Edgewood Avenue which includes the conversion of the existing rural cross section to an urban cross section and the installation of a storm sewer to replace open-ditch draining (the "Project"), as provided in Section 11-61-3 of Illinois Municipal Code, as supplemented and amended (the "Code") and to pay issuance expenses. As shown on Exhibit A, the total cost of the Project is expected to be \$4,032,912.01, of which \$840,000 will be funded with proceeds of the Bonds.

3. Sale Proceeds. The Village expects to sell the Bonds to the purchaser for \$847,000 (principal amount of the Bonds) less a discount of \$16,940 for a price of \$830,060 ("Net Sale Proceeds").

4. Disposition of Sale Proceeds. (a) Accrued interest to the date of delivery of the Bonds in the amount of \$1,129.33 will be deposited in the Village's Installment Fund (as such term is defined in the Ordinance) and will be used to pay a portion of the interest on the Bonds on February 1, 2010.

(b) The Net Sale Proceeds will be deposited in the Project Fund (as such term is defined in the Ordinance). The Net Sale Proceeds will be used by the Village for the purpose of financing the Project and to pay issuance expenses as described in Exhibit A. The Village expects to pay approximately \$10,000 in issuance expenses.

5. Project Fund. The Village expects that moneys held in the Project Fund shall be used to finance the costs of the Project at the time and in the manner described in Exhibit B. The Village represents that:

(a) None of the Net Sale Proceeds will be used to reimburse the Village for costs of the Project paid by the Village prior to the issuance of the Bonds, except for preliminary expenditures, if any. Substantial binding obligations to third parties to commence the Project in an amount not less than 5% of the Net Sale Proceeds have been or will be incurred by entering into purchase contracts for the Project within six months.

(b) Based upon the expected construction period for the Project and expectations for the expenditure of the Net Sale Proceeds, as set forth in Exhibit B, the Village reasonably expects that at least eighty-five percent (85%) of the Net Sale Proceeds will be expended on costs of the Project within the 3-year period from July 9, 2009 through July 9, 2011.

(c) Based upon the above schedule set forth in Exhibit B, the Village reasonably expects the expenditure test of Regulation 1.148-2(e)(2)(i)(A) to be met.

(d) Based upon the above, the Village reasonably expects that work on the Project will proceed with due diligence, as defined in Regulation 1.148-2(e)(2)(i)(C), to completion, presently expected on or about March 2010 and that the allocation of Net Sale Proceeds to these expenditures will occur as these expenditures are paid. The Bonds are being issued at this time to begin the construction schedule of the Village and to comply with the provisions of the Code.

(e) The Net Sale Proceeds, together with the investment earnings thereon, will not exceed the amounts necessary for the purpose or purposes of the Bonds, as shown in Exhibit A. Any amounts remaining in the Project Fund upon completion of the Project (except moneys reserved to pay any disputed or unpaid claims) will be applied to pay additional Project costs, or for the same purpose or type of project for which the Bonds were issued.

(f) Based upon the above, the Village reasonably expects that the Project Fund will qualify for the temporary period described in Regulation 1.148-2(e)(2) and moneys in such fund may be invested at an unrestricted yield.

6. No Sale of Projects Financed with Outstanding Bonds. The Village reasonably expects that the projects financed with the Bonds will not be sold or otherwise disposed of, in whole or in part, prior to the last maturity of the Bonds.

7. Sinking or Pledged Funds; Replacement Proceeds. (a) Principal of and interest on the Bonds due each year will be paid from any funds of the Village legally available and annually appropriated for such purpose. It is reasonably expected that the amounts held in the Installment Fund to pay debt service in any given year will not exceed the amount of principal and interest on the Bonds payable for that year. The Village expects that the deposits into the Installment Fund will not be held for more than thirteen (13) months and that the Installment Fund will be depleted at least once a year as to debt service on the Bonds except for a reasonable carryover which will not exceed the greater of 1/12 of annual debt service on the Bonds for the immediately preceding bond year or one year's earnings on such amounts for the immediately preceding bond year. The Installment Fund is designed to achieve a proper matching of the Village's revenues and debt service on the Bonds within each bond year. Therefore, the Installment Fund constitutes a Bona Fide Debt Service Fund as to the Bonds under the Regulations and such moneys will be invested without restriction as to yield.

(b) Except for the Installment Fund, there are no other funds or accounts of the Village established pursuant to the Ordinance or otherwise, (i) which are reasonably expected to be used to pay debt service on the Bonds or which are pledged as collateral to secure repayment of debt service

on the Bonds, (ii) for which there is reasonable assurance that amounts therein will be available to pay debt service on the Bonds, or (iii) for which the Village has agreed to maintain a particular balance for the direct or indirect benefit of the owners of the Bonds.

(c) As set forth in Exhibit C, the weighted average maturity of the Bonds is less than 120% of the reasonably expected economic life assigned to the Project financed with the proceeds of the Bonds (not less than 15 years) and, therefore, replacement proceeds will not arise under Regulation Section 1.148-1(c)(4).

(d) No portion of the proceeds of the Bonds will be used as a substitute for other funds which would otherwise have been used to pay the principal of, premium, if any, or interest on the Bonds and which will be used directly or indirectly to acquire obligations producing a yield in excess of the Yield (as defined in Section 11).

8. Concurrent Issues. There are no other obligations of the Village which (i) are sold at substantially the same time as the Bonds (within 15 days), (ii) are sold pursuant to the same plan of financing as the Bonds, and (iii) are reasonably expected to be paid out of substantially the same source of funds as the Bonds. The Village's Debt Certificates, Series 2009 are being sold at the same time and will be applied to costs of the Project. However, they will be general obligations of the Village and not payable from the same source of funds as the Bonds.

9. Disposition of Investment Earnings. Within one year of receipt, earnings on amounts deposited in the Installment Fund will be expended to pay debt service on the Bonds.

10. Artifice and Device. The Village has not employed in connection with the issuance of the Bonds a transaction or series of transactions that attempts to circumvent the provisions of the Code and the Regulations, enabling the Village to exploit the difference between tax-exempt and

taxable interest rates to obtain a material financial advantage and overburdening the market for tax-exempt obligations through actions such as, but not limited to, issuing more obligations, issuing obligations sooner, and allowing them to remain outstanding longer than would otherwise be reasonably necessary to accomplish the governmental purposes of the Bonds.

11. Calculation of Yield. The yield on the Bonds has been calculated in accordance with the Regulations as shown in Exhibit C ("Yield"). In calculating the Yield, the Village relied on information provided by Bernardi Securities, Inc., as the initial purchaser of the Bonds (the "Purchaser"), including certain representations of the Purchaser included in a Certificate of Purchaser attached hereto as Exhibit D.

12. Maintenance of Tax Exemption. This certificate is being executed and delivered pursuant to the laws set forth in paragraph 1. On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds under the Code and the Regulations. No action shall be taken that would impair the exclusion from gross income of interest on the Bonds provided by Section 103(a) of the Code. In particular, and without limiting the foregoing, the proceeds of the Bonds shall not be used or invested in any manner that will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. So long as any of the Bonds remain outstanding, no action shall be taken or authorized that will cause the Bonds to be classified as arbitrage bonds within the meaning of such Section 148 and the Regulations. Except as provided in this certificate, no proceeds of the Bonds shall be invested at an unrestricted yield for a period of time or in an amount not allowable under the Code or the Regulations.

13. Covenants Regarding Use of Bond Proceeds. In order to preserve the exclusion from gross income of interest on the Bonds under federal law and as an inducement to purchasers of the Bonds, the Village represents, covenants and agrees that:

(a) The Project will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. No person or entity, other than the Village or another state or local governmental unit, will use proceeds of the Bonds or property financed by the Bond proceeds other than as a member of the general public. No person or entity other than the Village or another state or local governmental unit will own property financed by Bond proceeds or will have actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, an arrangement such as take-or-pay or output contract or any other type of arrangement that differentiates that person's or entity's use of such property from the use by the general public.

(b) No Bond proceeds will be loaned to any entity or person other than a state or local governmental unit. No Bond proceeds will be transferred, directly or indirectly, or deemed transferred to a nongovernmental person in any manner that would in substance constitute a loan of the Bond proceeds.

(c) The Village will not take any action nor fail to take any action with respect to the Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code, nor will it act in any other manner that would adversely affect such exclusion. The Village covenants and agrees not to enter into any contracts or arrangements which would cause the Bonds to be treated as private activity bonds under Section 141 of the Code.

(d) The Bonds are not private activity bonds as defined in Section 141 of the Code.

14. Hedge Bonds. No more than 50% of the Net Sale Proceeds will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more. As shown in Section 5(c), at least 85% of the Net Sale Proceeds will be spent within three years of the issue date of the Bonds.

15. Federal Guarantees. The Bonds are not federally guaranteed as described in Section 149(b) of the Code.

16. Information Returns. The Village will file or cause to be filed on or before November 15, 2009, the information return for governmental Bonds on Form 8038-G with the Internal Revenue Service Center, Ogden, Utah, 84201, for the issuance of the Bonds. The Village has reviewed the provisions of Form 8038-G included in the transcript of which this certificate is a part and hereby certifies that the information in it is correct.

17. Registered Bonds. The Bonds will be issued in registered form as described in Section 149(a) of the Code.

18. Rebate Requirement. The Village will make rebate payments to the United States Government to assure that the Bonds will not be "arbitrage bonds" under Section 148 of the Code. For purposes of determining whether the test is met, the Village has included the reasonably expected earnings in the amount of Gross Proceeds (as hereinafter defined). As set forth in Exhibit B, the Village intends to qualify for the exception to the rebate requirement in Section 1.148-7(d) of the Regulations by spending the Gross Proceeds for the governmental purpose as follows:



<u>Minimum Spent</u>	<u>Date</u>
15%	January 9, 2010
60%	July 9, 2010
100%	January 9, 2011

except that on January 9, 2011, a reasonable retainage in an amount not to exceed 5% of the net sale proceeds may remain, which retainage must be spent on or before January 9, 2011. For purposes of determining whether the foregoing expenditure requirements have been met on the first two spending periods, the Village shall include the reasonably expected earnings as of today in the amount of Gross Proceeds. "Gross Proceeds" means an amount equal to (i) Issue Price plus (ii) investment earnings on Issue Price and (iii) earnings on the amounts in clause (ii). In reliance on the advice of its financial advisor, the Village hereby elects that, if it fails to spend all of the Gross Proceeds in accordance with this schedule, it shall cause to be calculated and paid, as necessary, the rebate obligation which may be owed on the proceeds of the Bonds. For purposes of the payment of any rebate obligation, the Village hereby selects that the bond years for the Bonds shall end on each anniversary of the Issue Date of the Bonds. The Village certifies and agrees that it will calculate or have calculated, the above-referenced spend-down calculation and, if necessary, hire nationally recognized bond counsel or a qualified accounting firm to calculate any rebate obligation owed.

19. Bank Eligibility. The Village certifies that:

- (a) The Bonds are not private activity bonds as defined in Section 141 of the Code;
- (b) The Bonds have been designated as qualified tax-exempt obligations for purposes of Section 265(b) of the Code;

(c) The reasonably anticipated amount of qualified tax-exempt obligations (including tax-exempt leases and qualified 501(c)(3) obligations but excluding other private activity bonds) which have been or will be issued by or in the name of the Village and all units subordinate to the Village during 2009 does not exceed \$30,000,000; and

(d) The Village, any body acting in the name of the Village, and any entities subordinate to the Village have designated \$3,647,000 of qualified tax-exempt obligations during 2009, including the Bonds. Therefore, the Bonds qualify for the exception in the Code from the disallowance of 100% of the deduction by financial institutions of interest expense allocable to tax-exempt obligations.

20. Change in Law. It is not an event of default under the Ordinance if the interest on any Bond is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of the issuance of the Bonds.

21. We have discussed this certificate and the provisions of the Code and the applicable Regulations with such professionals as we have deemed necessary. We have been given an opportunity to ask questions of Ice Miller LLP with respect to the certifications contained above and the information needed to complete such certifications and have discussed such certifications with Ice Miller LLP. Based on all of these discussions, we are satisfied: (a) that we understand the certifications which we have made in this certificate; and (b) that to the best of our knowledge, information and belief, all of the certifications contained herein are true, complete and accurate.

22. To the best of our knowledge, information, and belief, the above expectations are reasonable and there are no other facts, estimates or circumstances that would materially change any

of the foregoing certifications or conclusions. We understand that this certificate will be relied upon by the purchasers of the Bonds and by Ice Miller LLP in rendering its opinions as to various legal issues, including the excludability from gross income of interest on the Bonds for federal tax purposes. We further understand that the facts contained in this certificate will be used by the Purchaser to prepare or review the offering materials and disclosure documents to be distributed in connection with the sale of the Bonds. The representations contained in this certificate may be relied upon by Ice Miller LLP and others in determining whether or not the Bonds constitute arbitrage bonds within the meaning of Section 148 of the Code and whether or not the interest on the Bonds is subject to inclusion in gross income for federal income tax purposes under existing statutes, regulations, and decisions.

IN WITNESS WHEREOF, we have hereunto set our hands this 9th day of July, 2009.

VILLAGE OF LOMBARD, DUPAGE  
COUNTY, ILLINOIS

  
William J. Mueller, Village President

  
Brigitte O'Brien, Village Clerk

EXHIBIT A

Sources and Uses of Funds

Sources of Funds:

Principal Amount of Bonds	\$ 847,000.00
Accrued Interest	<u>1,129.33</u>

Total Sources	\$ 848,129.33
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Uses of Funds:

Construction Costs	\$818,000.00
Costs of Issuance	12,060.00
Underwriter's Discount	16,940.00
Installment Fund (for 2/1/10 interest)	<u>1,129.33</u>

Total Uses	\$848,129.33
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EXHIBIT B

Estimated Draw Schedule  
(By Month)

<u>Date</u>	<u>Amount</u>	<u>Purpose</u>
June 2009	\$ 50,820	Construction/Issuance Costs
July 2009	\$ 67,760	Construction
August 2009	\$ 84,700	Construction
September 2009	\$ 101,640	Construction
October 2009	\$ 118,580	Construction
November 2009	\$ 118,580	Construction
December 2009	\$ 101,640	Construction
January 2010	\$ 84,700	Construction
February 2010	\$ 67,760	Construction
March 2010	\$ 50,820	Construction

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EXHIBIT C

Weighted Average Maturity and Yield Calculation

