

AN ORDINANCE APPROVING AN INTERGOVERNMENTAL AGREEMENT WITH THE VILLAGES OF NEW BERLIN AND CHATHAM RELATING TO AN OPERATING LOAN FOR THE COMMISSION

BE IT ORDAINED BY THE SOUTH SANGAMON WATER COMMISSION, AS FOLLOWS:

SECTION 1: That Intergovernmental Agreement between the Village of Chatham, Illinois, the Village of New Berlin, Illinois, and the South Sangamon Water Commission, a copy of which is attached hereto, is hereby approved.

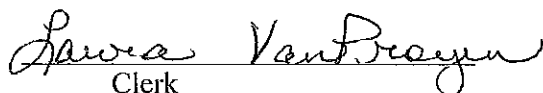
SECTION 2: The Chairman of the Commission is authorized and directed to execute said agreement on behalf of the Commission, and the proper officers of the Commission are authorized and directed to carry out the agreement by its terms. The Chairman of the Commission is also authorized to execute such documents as may be required by the Illinois National Bank pursuant to said Intergovernmental Agreement.

SECTION 3: This Ordinance is effective immediately.

PASSED this 21st day of December, 2010.


CHAIRMAN

ATTEST:


Clerk

AYES: McCard, Puffer, Hale

NAYS: none

PASSED: 12/21/10

APPROVED: 12/21/10

ABSENT: none

INTERGOVERNMENTAL AGREEMENT

This Agreement is by and among the Village of Chatham, Illinois ("Chatham"), an Illinois municipal corporation, the Village of New Berlin, Illinois ("New Berlin"), an Illinois municipal corporation, and the South Sangamon Water Commission ("Commission"), an Illinois municipal corporation, and is dated this 14 day of December, 2010.

WHEREAS, in 2010, the Commission issued \$28 million in bonds to fund the construction of its new water production and distribution system serving Chatham and New Berlin;

WHEREAS, the bond issue, through oversight, did not make adequate provision for funding the Commission's operation costs pending the new system coming online;

WHEREAS, pursuant to Section 1 of Division 135 of the Illinois Municipal Code, 65 ILCS 5/11-135-1, the member municipalities of the Commission may advance operating costs of the Commission, said operating costs to be repaid by the Commission as agreed by the parties;

WHEREAS, pursuant to Section 8-11-3.1 of the Illinois Municipal Code, municipalities may borrow funds from financial institutions and execute promissory notes in connection therewith;

WHEREAS, the Commission has sought and obtained proposals from four financial institutions located in Sangamon County, Illinois for a loan to the municipalities for funds to be advanced to the Commission from time to time for operating expenses to be repaid by the Commission to the member municipalities at a later date;

WHEREAS, the proposal from the Illinois National Bank, a copy of which is attached hereto, was the most attractive proposal;

NOW, THEREFORE, the parties agree as follows:

1. Contingent upon approval by the board of directors of the Illinois National Bank, Chatham and New Berlin shall borrow up to \$200,000 from Illinois National Bank in accordance with the attached proposal from the Illinois National Bank. Chatham shall be 90% liable on the note and loan agreement, and New Berlin shall be 10% liable on the note and loan agreement. The note and loan agreement shall be structured as a line of credit to be drawn on by the Commission from time to time and used solely for operating expenses and not for capital expenses.
2. Commission shall repay funds advanced pursuant to this Agreement from water sales, and shall establish water rates sufficient to repay the funds advanced in addition to funds for which the Commission is obligated pursuant to the current bond issue. Commission may in its discretion repay the sums advanced through a revenue bond issue which is subordinate to the existing bonds.
3. Chatham, New Berlin and the Commission agree to execute such promissory notes, loan agreements and related documents as are necessary to effectuate this Agreement and as required by the Illinois National Bank.
4. This Agreement is the entire agreement of the parties with respect to this subject matter. It shall become effective upon its approval by the corporate authority of each party and its execution by the Village Presidents of Chatham and New Berlin, and by the Chairman of the Commission.

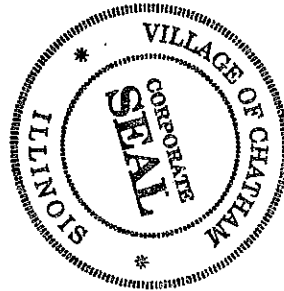
Approved pursuant to Ordinance No. 10-71
dated December 14, 2010

VILLAGE OF CHATHAM, ILLINOIS

By: Thomas A. Gray
Its President

Date: 12/14/2010

Attest: Pat Schall
Its Clerk



Approved pursuant to Ordinance No. 2010-18
dated December 15, 2010

VILLAGE OF NEW BERLIN, ILLINOIS

By: Stephen A. Frank
Its President

Date: 12/15/2010

Attest: Deborah Dekamp
Its Clerk

Approved pursuant to Ordinance No. 2010-34
dated Dec. 21, 2010

SOUTH SANGAMON WATER COMMISSION

By: Del McGee
Its Chairman

Date: 12/21/2010

Attest: Sara VanBray
Its Clerk



December 8, 2010

William M. Pfeffer
Commissioner and Treasurer
South Sangamon Water Commission
P.O. Box 83
New Berlin, IL 62670

Dear Mr. Pfeffer:

This letter has been prepared to facilitate discussions of the possible terms of an extension of credit to Village of Chatham and Village of New Berlin ("Applicant") by ILLINOIS NATIONAL BANK ("Bank"). This letter is not a promise, commitment or an agreement to lend money to, provide financing for, or grant or extend credit to Applicant. This letter may not contain all of the terms and conditions of the proposed financing but is a basis for further discussion of possible terms and conditions.

In the course of the Bank's due diligence and consultation with legal counsel, the Bank may become aware of facts or requirements, which will affect the structure, terms and pricing of the transaction. The terms and conditions may include, but may not be limited to:

1. Borrower: Village of Chatham and Village of New Berlin with the Village of Chatham being responsible for 90% of the loan repayment and the Village of New Berlin being responsible for 10% of the loan repayment.
2. Loan Amount: \$200,000 line of credit.
3. Purpose: Provide operating expenses for the South Sangamon Water Commission until the new water plant comes on line and is generating revenue.
4. Pricing: 2.5% fixed for the term of the note or 1% under Prime floating with a floor of 2.25%. Both are tax exempt bank qualified rates.
5. Term: 3 years.
6. Fee: None.
7. Payments: Interest only quarterly. No prepayment penalties. Principal due by maturity.
8. Security: None.

9. Guarantors: None.
10. Reporting: Annual audit reports and/or financial information for the Village of Chatham, the Village of New Berlin and the South Sangamon Water Commission.
11. Other: -Executed IRS 8038-G form to be provided to Bank prior to closing.
-Attorney opinion letter to be provided to Bank prior to closing stating that this transaction is tax exempt and bank qualified.
-Ordinances from both Villages and the Commission provided to the Bank prior to closing showing that this transaction has been approved.

Further Bank consideration of the credit requires, but may not be limited to, receipt by the Bank and review satisfactory in all respects to the Bank, in its sole discretion, of each of the following:

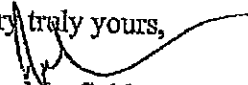
- A. Village of New Berlin annual audit report for April 30, 2010.
- B. Year to date financial statements for the South Sangamon Water Commission.
- C. Copy of feasibility study for South Sangamon Water Commission.

The proposed credit is also subject to approval of its term and conditions by the Bank's appropriate loan committees and if necessary, its board of directors, which approval process has not been initiated and there is no assurance that such approval(s) will ultimately be obtained. The proposed loan is also subject to the execution and delivery of documentation satisfactory in form and substance to the Bank and its legal counsel.

This letter is prepared for the exclusive use of the Applicant and is not to be released, discussed or communicated in any form or manner with any third party or financial institution without the prior written consent of the Bank. No third parties are entitled in any way to rely upon it.

We appreciate the opportunity to provide this information for your review and look forward to continuing discussions with regard to your financial needs. If the Bank decides to approve your application, a written Commitment Letter will be issued. If you have any questions, please contact us.

Very truly yours,


John Maxfield
Vice President
217-747-5549
jmaxfield@illinoisnationalbank.com

ORDINANCE CERTIFICATE

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the South Sangamon Water Commission.

I do further certify that the ordinance attached hereto is a full, true, and exact copy of Ordinance No. 10- 34, adopted by the Commission on the 21 day of December, 2010, said Ordinance being entitled:

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I do further certify that prior to the making of this certificate, the said Ordinance was spread at length upon the permanent records of said Commission, where it now appears and remains.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said Commission this 21 day of December, 2010.

Laura VanBreyer
Clerk