

EXTRACT OF MINUTES of a special public meeting of the City Council of the City of Freeport, Stephenson County, Illinois, held in the City Council Chambers of the City Hall, 314 West Stephenson Street, Freeport, Illinois, in said City, at 6:00 o'clock P.M. on the 23rd day of April, 2018.

The Mayor called the meeting to order and directed the City Clerk to call the roll. Upon the roll being called, Jodi Miller, the Mayor, and the following Aldermen answered present at said location: _____

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

No Alderman was not permitted to attend the meeting by video or audio conference.

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

The Mayor announced that a proposal had been received from Robert W. Baird & Co., Incorporated, Naperville, Illinois, for the purchase of \$1,045,000 general obligation bonds to be issued by the City pursuant to its home rule powers for the purpose of financing downtown redevelopment improvements, and that the City Council would consider the adoption of an ordinance providing for the issue of said bonds and the levy of a direct annual tax sufficient to pay the principal and interest thereon. The Mayor also summarized the pertinent terms of said proposal and said bonds, including the length of maturity, rates of interest, purchase price and tax levy for said bonds.

WHEREUPON, Alderman _____ presented, and the City Clerk made available to the Aldermen and interested members of the public, complete copies of an ordinance entitled:

AN ORDINANCE providing for the issuance of \$1,045,000 Taxable General Obligation Bonds, Series 2018, of the City of Freeport, Stephenson County, Illinois, for the purpose of financing downtown redevelopment improvements, providing for the levy and collection of a direct annual tax sufficient to pay the principal and interest on said bonds, and authorizing the execution of a Bond Purchase Agreement with Robert W. Baird & Co., Incorporated, Naperville, Illinois, in connection with the sale of said bonds.

(the "Bond Ordinance").

Alderman _____ then moved and Alderman _____ seconded the motion that the Bond Ordinance as presented be adopted and that the requirement of a second reading be waived with respect to this Bond Ordinance.

After a full discussion thereof, 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 Aldermen voted AYE: _____

_____ and the following Aldermen voted NAY: _____

WHEREUPON, the Mayor declared the motion carried, the requirement of a second reading waived and the Bond Ordinance adopted, and henceforth did approve and sign the same in open meeting, and did direct the City Clerk to record the same in full in the records of the City Council of the City of Freeport, Stephenson County, Illinois.

Other business was duly transacted at said meeting.

Upon motion duly made and carried, the meeting adjourned.

City Clerk

ORDINANCE NUMBER 2018-25

AN ORDINANCE providing for the issuance of \$1,045,000 Taxable General Obligation Bonds, Series 2018, of the City of Freeport, Stephenson County, Illinois, for the purpose of financing downtown redevelopment improvements, providing for the levy and collection of a direct annual tax sufficient to pay the principal and interest on said bonds, and authorizing the execution of a Bond Purchase Agreement with Robert W. Baird & Co., Incorporated, Naperville, Illinois, in connection with the sale of said bonds.

WHEREAS, the City of Freeport, Stephenson County, Illinois (the "*City*"), by virtue of its population and pursuant to the provisions of Section 6 of Article VII of the Constitution of the State of Illinois, the City is a home rule unit and as such may exercise any power or perform any function pertaining to its government and affairs, including, but not limited to, the power to tax and to incur debt; and

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

WHEREAS, the City Council of the City (the "*Council*") has considered the needs of the City and has determined and does hereby determine that it is necessary, desirable and in the best interests of the City to borrow at this time the sum of \$1,045,000 to finance downtown redevelopment improvements, including creating a fund to make loans to further such downtown development (the "*Project*"); and

WHEREAS, it is in the best interest of the City to issue bonds of the City in the aggregate principal amount of \$1,045,000 to evidence said borrowing and for the purpose of paying costs of the Project:

NOW THEREFORE BE IT ORDAINED by the City Council of the City of Freeport, Stephenson County, Illinois, in the exercise of its home rule powers, as follows:

Section 1. Incorporation of Preambles; Determination to Issue Bonds. The Council hereby finds that all of the recitals contained in the preambles to this Ordinance are true, correct and complete and does incorporate them into this Ordinance by this reference. It is necessary and in the best interests of the City to finance the Project, to pay all related costs and expenses incidental thereto, and to borrow money and issue bonds for such purposes. It is hereby found and determined that such borrowing of money is necessary for the welfare of the government and affairs of the City, is for a proper public purpose or purposes and is in the public interest, and is authorized pursuant to the provisions of the Illinois Municipal Code, as supplemented and amended, and the home rule powers of the City under Section 6 of Article VII of the Illinois Constitution of 1970 (in the event of conflict between the provisions of said code and home rule powers, the home rule powers shall be deemed to supersede the provisions of said code); and these findings and determinations shall be deemed conclusive.

Section 2. Authorization. It is hereby found and determined that the Council has been authorized by law to borrow the sum of \$1,045,000 upon the credit of the City and as evidence of such indebtedness to issue bonds of the City in said amount, the proceeds of said bonds to be used for the Project, and that it is necessary to borrow \$1,045,000 of said authorized sum and issue bonds in evidence thereof, and these findings and determinations, together with those set forth in the preambles to this Ordinance, shall be deemed conclusive.

Section 3. Bond Details. There be borrowed by for and on behalf of the City the sum of \$1,045,000 for the purpose aforesaid, and that bonds of the City shall be issued in said amount and shall be designated "Taxable General Obligation Bonds, Series 2018" (the "Bonds"). The Bonds shall be dated May 2, 2018, and shall also bear the date of authentication, shall be in fully registered form, shall be in denominations of \$5,000 each or authorized integral multiples thereof (but no single Bond shall represent installments of principal maturing on more than one date),

and shall be numbered 1 and upward. The Bonds shall become due and payable serially (subject to prior redemption as hereinafter set forth) on January 1 of each of the years, in the amounts and bearing interest per annum as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2019	\$ 65,000	2.750%
2020	55,000	3.050%
2022	115,000	3.300%
2024	125,000	3.650%
2026	130,000	3.850%
2028	145,000	4.000%
2030	155,000	4.125%
2033	255,000	4.125%

The Bonds shall bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of the Bonds is paid, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on January 1 and July 1 of each year, commencing on January 1, 2019. Interest on each Bond shall be paid by check or draft of U.S. Bank National Association, Chicago, Illinois, as bond registrar and paying agent (the "*Bond Registrar*"), payable upon presentation thereof in lawful money of the United States of America, to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of the Bonds shall be payable in lawful money of the United States of America upon presentation thereof at the principal corporate trust office of the Bond Registrar.

Section 4. Execution; Authentication. The Bonds shall be executed on behalf of the City by the manual or facsimile signature of its Mayor (the "*Mayor*") and attested by the manual or facsimile signature of its City Clerk, as they shall determine, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the City. In case any such officer

whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. All Bonds shall have thereon a certificate of authentication, substantially in the form hereinafter set forth, duly executed by the Bond Registrar as authenticating agent of the City and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. 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 5. Registration of Bonds; Persons Treated as Owners. (a) General. The City shall cause books (the "*Bond Register*") for the registration and for the transfer of the Bonds as provided in this Ordinance to be kept at the principal corporate trust office of the Bond Registrar, which is hereby constituted and appointed the registrar of the City for the Bonds. The City is authorized to prepare, and the Bond Registrar shall keep custody of, multiple Bond blanks executed by the City for use in the transfer and exchange of Bonds.

Upon surrender for transfer of any Bond at the principal corporate trust office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by, the registered owner or his or her attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same maturity of authorized denominations, for a like aggregate principal

amount. Any fully registered Bond or Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of Bond or Bonds of the same maturity of other authorized denominations. The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, *provided, however*, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less previous retirements.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 15th day of the month next preceding any interest payment date on such Bond and ending at the opening of business on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

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 or her 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 for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

(b) *Global Book-Entry System.* The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds determined as described in Section 3 hereof. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto ("*Cede*"), as nominee of The Depository Trust Company, New York, New York, and its successors and assigns ("*DTC*"). All of the outstanding Bonds shall be registered in the Bond Register in the name of Cede, as nominee of DTC, except as hereinafter provided. Any officer of the City who is a signatory on the Bonds is authorized to execute and deliver, on behalf of the City, such letters to or agreements with DTC as shall be necessary to effectuate such book-entry system (any such letter or agreement being referred to herein as the "*Representation Letter*"), which Representation Letter may provide for the payment of principal of or interest on the Bonds by wire transfer.

With respect to Bonds registered in the Bond Register in the name of Cede, as nominee of DTC, the City and the Bond Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (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 immediately preceding sentence, the City and the Bond Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) 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 the principal of or interest on the Bonds. The City and the Bond Registrar may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective registered owners of the Bonds, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of a Bond as shown in the Bond Register, shall receive a Bond evidencing the obligation of the City to make payments of principal and interest 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, and subject to the provisions in Section 3 hereof with respect to the payment of interest to the registered owners of Bonds at the close of business on the 15th day of the month next preceding the applicable interest payment date, the name "Cede" in this Ordinance shall refer to such new nominee of DTC.

In the event that (i) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (ii) the agreement among the City, the Bond Registrar and DTC evidenced by the Representation Letter shall be terminated for any reason or (iii) the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall notify DTC and DTC Participants of the availability through DTC of certificated Bonds and the Bonds shall no longer

be restricted to being registered in the Bond Register in the name of Cede, as nominee of DTC. At that time, the City may determine that the Bonds shall be registered in the name of and deposited with such other depository operating a universal book-entry system, as may be acceptable to the City, or such depository's agent or designee, and if the City does not select such alternate universal 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 of Section 5(a) hereof.

Notwithstanding any other provisions of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede, 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 name provided in the Representation Letter.

Section 6. Redemption. (a) Optional Redemption. The Bonds maturing on or after January 1, 2030, shall be subject to redemption prior to maturity at the option of the City as a whole or in part in integral multiples of \$5,000 in any order of their maturity as determined by the City (less than all of the Bonds of a single maturity to be selected by the Bond Registrar), on January 1, 2028, and on any date thereafter, at the redemption price of par plus accrued interest to the redemption date.

(b) *Mandatory Redemption.* The Bonds due on January 1, 2022, shall be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2021, in the principal amount of \$55,000.

The Bonds due on January 1, 2024, shall be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2023, in the principal amount of \$60,000.

The Bonds due on January 1, 2026, shall be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2025, in the principal amount of \$65,000.

The Bonds due on January 1, 2028, shall be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2027, in the principal amount of \$70,000.

The Bonds due on January 1, 2030, shall be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2029, in the principal amount of \$75,000.

The Bonds due on January 1, 2033, shall be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1 of the years and in the principal amounts as follows:

YEAR	PRINCIPAL AMOUNT
2031	\$80,000
2032	85,000
2033	90,000 (stated maturity)

The principal amounts of Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Bond Registrar may, and if directed by the Council shall, purchase Bonds required to be retired on such mandatory redemption date. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date.

(c) *General.* The Bonds shall be redeemed only in the principal amount of \$5,000 and integral multiples thereof. The City shall, at least forty-five (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 maturity or maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar from 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 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall make such selection upon the earlier of the irrevocable deposit of funds with an escrow agent sufficient to pay the redemption price of the Bonds to be redeemed or the time of the giving of official notice of redemption.

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

Section 7. Redemption Procedure. Unless waived by any holder of Bonds to be redeemed, notice of the call for any such redemption shall be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the 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 notices of redemption shall state:

- (1) the redemption date,

- (2) the redemption price,
- (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (4) 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,
- (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Bond Registrar, and
- (6) such other information then required by custom, practice or industry standard.

Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed at the option of the City shall have been received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption shall have been given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. 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. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal.

If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued.

Section 8. Form of Bond. The Bonds shall be in substantially the following form; *provided, however,* that if the text of the Bond is to be printed in its entirety on the front side of the Bond, then paragraph [2] and the legend, "See Reverse Side for Additional Provisions", shall be omitted and paragraphs [6] through [17] shall be inserted immediately after paragraph [1]:

[FORM OF BOND - FRONT SIDE]

REGISTERED
No. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA

STATE OF ILLINOIS

COUNTY OF STEPHENSON

CITY OF FREEPORT

TAXABLE GENERAL OBLIGATION BOND, SERIES 2018

See Reverse Side for
Additional Provisions

Interest Maturity Dated
Rate: _____% Date: January 1, 20__ Date: May 2, 2018 CUSIP: 356640 _____

Registered Owner: CEDE & Co.

Principal Amount:

[1] KNOW ALL PERSONS BY THESE PRESENTS that the City of Freeport, Stephenson County, Illinois, a municipality, home rule unit, and political subdivision of the State of Illinois (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, 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 January 1, 2019, until said Principal Amount is paid or duly provided for. The principal of this Bond is payable in lawful money of the United States of America upon presentation hereof at the principal corporate trust office of U.S. Bank National Association, Chicago, Illinois, as bond

registrar and paying agent (the "*Bond Registrar*"). Payment of interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by the Bond Registrar, at the close of business on the 15th day of the month next preceding the interest payment date. Interest shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books, or at such other address furnished in writing by such Registered Owner to the Bond Registrar. For the prompt payment of this Bond both principal and interest at maturity, the full faith, credit and resources of the City are hereby irrevocably pledged.

[2] 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.

[3] 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, including the hereinafter defined Act, have existed and have been properly done, happened and been performed in regular and due form and time as required by law; that the indebtedness of the City, represented by the Bonds, and including all other indebtedness of the City, howsoever evidenced or incurred, does not exceed any constitutional or statutory or other lawful limitation; and that provision has been made for the collection of a direct annual tax, in addition to all other taxes, on all of the taxable property in the City sufficient to pay the interest hereon as the same falls due and also to pay and discharge the principal hereof at maturity.

[4] 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.

[5] IN WITNESS WHEREOF, the City of Freeport, Stephenson County, Illinois, by its City Council, has caused this Bond to be executed by the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its City Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the Dated Date identified above.

SPECIMEN

Mayor, City of Freeport,
Stephenson County, Illinois

ATTEST:

SPECIMEN

City Clerk, City of Freeport
Stephenson County, Illinois

[SEAL]

Date of Authentication: May 2, 2018

CERTIFICATE
OF
AUTHENTICATION

Bond Registrar and Paying Agent:
U.S. Bank National Association,
Chicago, Illinois

This Bond is one of the Bonds described in the within mentioned ordinance and is one of the Taxable General Obligation Bonds, Series 2018, of the City of Freeport, Stephenson County, Illinois.

U.S. BANK NATIONAL ASSOCIATION,
as Bond Registrar

By _____
SPECIMEN
Authorized Officer

[FORM OF BOND - REVERSE SIDE]

CITY OF FREEPORT

STEPHENSON COUNTY, ILLINOIS

TAXABLE GENERAL OBLIGATION BOND, SERIES 2018

[6] This Bond is one of a series of bonds (the "*Bonds*") issued by the City for the purpose of financing downtown redevelopment improvements in the City, and paying expenses incidental thereto, all as described and defined in the ordinance of the City, adopted by the City Council of the City on the 23rd day of April, 2018, authorizing the Bonds (the "*Ordinance*"), pursuant to and in all respects in compliance with the applicable provisions of the Illinois Municipal Code, as amended; as further supplemented and, where necessary, superseded, by the powers of the City as a home rule unit under the provisions of Section 6 of Article VII of the Illinois Constitution of 1970; and as further supplemented by the Local Government Debt Reform Act of the State of Illinois, as amended (collectively, such Illinois Municipal Code, constitutional home rule powers, and Reform Act being the "*Act*"), and with the Ordinance, which has been duly adopted by the City Council of the City, approved by the Mayor, and published, in all respects as by law required.

[7] Bonds of the issue of which this Bond is one maturing on and after January 1, 2030, are subject to redemption prior to maturity at the option of the City as a whole, or in part in integral multiples of \$5,000 in any order of their maturity as determined by the City (less than all the Bonds of a single maturity to be selected by lot by the Bond Registrar), on January 1, 2028, and on any date thereafter, at the redemption price of par plus accrued interest to the redemption date.

[8] The Bonds of this issue of which this Bond is one due on January 1, 2022, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond

Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2021, in the principal amount of \$55,000.

[9] The Bonds of this issue of which this Bond is one due on January 1, 2024, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2023, in the principal amount of \$60,000.

[10] The Bonds of this issue of which this Bond is one due on January 1, 2026, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2025, in the principal amount of \$65,000.

[11] The Bonds of this issue of which this Bond is one due on January 1, 2028, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2027, in the principal amount of \$70,000.

[12] The Bonds of this issue of which this Bond is one due on January 1, 2030, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2029, in the principal amount of \$75,000.

[13] Bonds of this series of which this Bond is one due on January 1, 2033, are be subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1 of the years and in the principal amounts as follows:

YEAR	PRINCIPAL AMOUNT
2031	\$80,000
2032	85,000
2033	90,000 (stated maturity)

[14] Notice of any such redemption shall be sent by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books of the City maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar. When so called for redemption, this Bond will cease to bear interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

[15] This Bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the principal corporate trust office of the Bond Registrar in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

[16] The Bonds are issued in fully registered form in the denomination of \$5,000 each or authorized integral multiples thereof. This Bond may be exchanged at the principal corporate trust office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations, upon the terms set forth in the Ordinance. The Bond Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 15th day of the month next preceding any interest payment date on such Bond and ending at the opening of business on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been

mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

[17] The City and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

ASSIGNMENT

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

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

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint

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

Dated: _____

Signature guaranteed: _____

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

Section 9. Sale of Bonds. The Bonds shall be executed as in this Ordinance provided as soon after the passage hereof as may be, shall be deposited with the Treasurer of the City (the "*Treasurer*"), and shall be by the Treasurer delivered to Robert W. Baird & Co., Incorporated, Naperville, Illinois, the purchaser thereof (the "*Purchaser*"), upon receipt of the purchase price therefor, the same being \$1,028,765.01; the contract for the sale of the Bonds (the "*Purchase Contract*") heretofore entered into is in all respects ratified, approved and confirmed, it hereby found and determined that the Bonds have been sold at such price and bear interest at such rates that neither the true interest cost (yield) nor the net interest rate received upon such sale exceed the maximum rate otherwise authorized by Illinois law, and the officers of the City designated in the Purchase Contract are authorized and directed to execute the Purchase Contract on behalf of the City, it being hereby declared that, to the best of the knowledge and belief of the Council, after due inquiry, no person holding any office of the City, either by election or appointment, is in any manner financially interested, either directly in his or her own name or indirectly in the name of any other person, association, trust or corporation, in the Purchase Contract.

The use by the Purchaser of any Preliminary Official Statement and any final Official Statement relating to the Bonds (the "*Official Statement*") is hereby ratified, approved and authorized; the execution and delivery of the Official Statement is hereby authorized; and the officers of the City are hereby authorized to take any action as may be required on the part of the City to consummate the transactions contemplated by the Purchase Contract, this Ordinance, said Preliminary Official Statement, the Official Statement and the Bonds.

Section 10. Tax Levy; Abatement. For the purpose of providing funds required to pay the interest on the Bonds promptly when and as the same falls due, and to pay and discharge the principal thereof at maturity, there is hereby levied upon all of the taxable property within the City, in the years for which any of the Bonds are outstanding, a direct annual tax sufficient for

that purpose; and there is hereby levied on all of the taxable property in the City, in addition to all other taxes, the following direct annual tax, to-wit:

FOR THE YEAR		A TAX SUFFICIENT TO PRODUCE THE SUM OF:
2018	\$92,752.50	for interest and principal up to and including January 1, 2020
2019	\$91,075.00	for interest and principal
2020	\$94,260.00	for interest and principal
2021	\$92,280.00	for interest and principal
2022	\$95,090.00	for interest and principal
2023	\$92,717.50	for interest and principal
2024	\$90,215.00	for interest and principal
2025	\$92,712.50	for interest and principal
2026	\$94,912.50	for interest and principal
2027	\$91,912.50	for interest and principal
2028	\$93,818.76	for interest and principal
2029	\$90,518.76	for interest and principal
2030	\$92,218.76	for interest and principal
2031	\$93,712.50	for interest and principal

Principal of and interest on the Bonds due on January 1, 2019, will be paid from funds on hand and lawfully available of the City.

Principal or interest maturing at any time when there are not sufficient funds on hand from the foregoing tax levy to pay the same shall be paid from the general funds of the City, and the fund from which such payment was made shall be reimbursed out of the taxes hereby levied when the same shall be collected.

The City covenants and agrees with the purchasers and the holders of the Bonds that so long as any of the Bonds remain outstanding, the City will take no action or fail to take any action which in any way would adversely affect the ability of the City to levy and collect the foregoing tax levy and the City and its officers will comply with all present and future applicable laws in order to assure that the foregoing taxes will be levied, extended and collected as provided herein and deposited in the fund established to pay the principal of and interest on the Bonds.

In the event that funds from any other lawful source are made available for the purpose of paying any principal of or interest on the Bonds so as to enable the abatement of the taxes levied herein for the payment of same, the Council shall, by proper proceedings, direct the transfer of such funds to the hereinafter defined Bond Fund, and shall then further direct the abatement of the taxes by the amount so deposited. The City covenants and agrees that it will not direct the abatement of taxes until money has been deposited into the Bond Fund in the amount of such abatement. A certified copy or other notification of any such proceedings abating taxes may then be filed with the County Clerk of The County of Stephenson, Illinois (the "*County Clerk*") in a timely manner to effect such abatement.

Section 11. Filing with County Clerk. Forthwith upon the passage of this Ordinance, the City Clerk of the City is hereby directed to file a certified copy of this Ordinance with the County Clerk; and the County Clerk shall in and for each of the years 2018 to 2031, inclusive, ascertain the rate necessary to produce the tax herein levied; and the County Clerk shall extend the same for collection on the tax books in connection with other taxes levied in said years in and by the City for general corporate purposes of the City; and, subject to abatement as stated hereinabove, in said years such annual tax shall be levied and collected by and for and on behalf of the City in like manner as taxes for general corporate purposes for said years are levied and collected, and in addition to and in excess of all other taxes, and when collected, the taxes hereby levied shall be placed to the credit of a special fund to be designated "Bond and Interest Fund Account of 2018" (the "*Bond Fund*"), which taxes are hereby irrevocably pledged to and shall be used only for the purpose of paying the principal of and interest on the Bonds.

Section 12. Use of Bond Proceeds. The principal proceeds of the Bonds are hereby appropriated to pay the costs of issuance of the Bonds and for the purpose of paying the cost of the Project, and that portion thereof not needed to pay such costs of issuance is hereby ordered

deposited into the Downtown Redevelopment Improvement Account of the City (the "Project Fund"). Alternatively, the Treasurer may allocate such proceeds to one or more related project funds of the City already in existence; *provided, however*, that this shall not relieve the Treasurer of the duty to account for the proceeds as herein provided. (Any such one or more funds shall also be referred to hereinafter, collectively, as the "Project Fund".) At the time of the issuance of the Bonds, the costs of issuance of the Bonds may be paid by the Purchaser or the Bond Registrar on behalf of the City from the proceeds of the Bonds.

Section 13. List of Bondholders. The Bond Registrar shall maintain a list of the names and addresses of the holders of all Bonds and upon any transfer shall add the name and address of the new Bondholder and eliminate the name and address of the transferor Bondholder.

Section 14. Duties of Bond Registrar. If requested by the Bond Registrar, the Mayor and City Clerk are authorized to execute the Bond Registrar's standard form of agreement between the City and the Bond Registrar with respect to the obligations and duties of the Bond Registrar hereunder which may include the following:

- (a) to act as bond registrar, authenticating agent, paying agent and transfer agent as provided herein;
- (b) to maintain a list of Bondholders as set forth herein and to furnish such list to the City upon request, but otherwise to keep such list confidential;
- (c) to give notice of redemption of the Bonds as provided herein;
- (d) to cancel and/or destroy Bonds which have been paid at maturity or submitted for exchange or transfer;
- (e) to furnish the City at least annually a certificate with respect to Bonds cancelled and/or destroyed; and
- (f) to furnish the City at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds.

Section 15. Continuing Disclosure Undertaking. The Mayor or Treasurer is hereby authorized, empowered and directed to execute and deliver a Continuing Disclosure Undertaking (the "*Continuing Disclosure Undertaking*") in connection with the issuance of the Bonds, with such provisions therein as he or she shall approve, his or her execution thereof to constitute conclusive evidence of his or her approval of such provisions. When the Continuing Disclosure Undertaking is executed and delivered on behalf of the City as herein provided, the Continuing Disclosure Undertaking will be binding on the City and the officers, employees and agents of the City, and the officers, employees and agents of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this Ordinance, the sole remedies for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Undertaking.

Section 16. Municipal Bond Insurance. In the event the payment of principal and interest on the Bonds is insured pursuant to a municipal bond insurance policy (the "*Municipal Bond Insurance Policy*") issued by a bond insurer (the "*Bond Insurer*"), and as long as such Municipal Bond Insurance Policy shall be in full force and effect, the City and the Bond Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of the Bonds, subrogation of the rights of the Bondholders to the Bond Insurer upon payment of the Bonds by the Bond Insurer, amendment hereof, or other terms, as approved by the Mayor on advice of counsel, his or her approval to constitute full and complete acceptance by the City of such terms and provisions under authority of this Section.

Section 17. 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, approval, and publication.

ADOPTED: April 23, 2018

AYES: _____

NAYS: _____

ABSENT: _____

Approved: April 23, 2018

Mayor, City of Freeport,
Stephenson County, Illinois

ATTEST:

City Clerk, City of Freeport,
Stephenson County, Illinois

Recorded in the City Records on April 23, 2018.

Published in pamphlet form by authority of the Council on April 23, 2018.

STATE OF ILLINOIS)
) SS
COUNTY OF STEPHENSON)

CERTIFICATION OF ORDINANCE AND MINUTES

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk of the City Freeport, Stephenson County, Illinois (the "City"), and as such official I am the keeper of the records and files of the City Council of the City (the "Council").

I do further certify that the foregoing constitutes a full, true and complete transcript of the minutes of the meeting of the Council held on the 23rd day of April, 2018, insofar as same relates to the adoption of Ordinance No. 2018-25 entitled:

AN ORDINANCE providing for the issuance of \$1,045,000 Taxable General Obligation Bonds, Series 2018, of the City of Freeport, Stephenson County, Illinois, for the purpose of financing downtown redevelopment improvements, providing for the levy and collection of a direct annual tax sufficient to pay the principal and interest on said bonds, and authorizing the execution of a Bond Purchase Agreement with Robert W. Baird & Co., Incorporated, Naperville, Illinois, in connection with the sale of 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 conducted 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 of the news media requesting such notice, that an agenda for said meeting was posted at the location where said meeting was held and at the principal office of the Council at least 72 hours in advance of the holding of said meeting, that at least one copy of said agenda was continuously available for public review during the entire 72-hour period preceding said meeting, that said agenda contained a separate-specific item concerning the proposed adoption of said ordinance, a true, correct and complete copy of the agenda as so posted being attached hereto as *Exhibit A*, that said meeting was called and held in strict compliance with the provisions the Open Meetings Act of the State of Illinois, as amended, and with the provisions of the Illinois Municipal Code, as amended, and that the Council has complied with all of the applicable provisions of said Act and said Code and its procedural rules in the adoption of said ordinance.

IN WITNESS WHEREOF, I hereunto affix my official signature and the seal of the City, this
23rd day of April, 2018.

City Clerk

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF STEPHENSON)

CERTIFICATE OF PUBLICATION IN PAMPHLET FORM

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

I do further certify that on the 23rd day of April, 2018, there was published in pamphlet form, by authority of the Council, a true, correct and complete copy of Ordinance Number 2018-25 of the City providing for the issuance of \$1,045,000 Taxable General Obligation Bonds, Series 2018, dated May 2, 2018, of the City, and that said 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 City Clerk located in the City.

IN WITNESS WHEREOF I have affixed hereto my official signature and the seal of the City this 23rd day of April, 2018.

City Clerk

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF STEPHENSON)

FILING CERTIFICATE

I, the undersigned, do hereby certify that I am the duly qualified and acting County Clerk of The County of Stephenson, Illinois, and as such official I do further certify that on the ____ day of May, 2018, there was filed in my office a duly certified copy of Ordinance No. 2018-25 entitled:

AN ORDINANCE providing for the issuance of \$1,045,000 Taxable General Obligation Bonds, Series 2018, of the City of Freeport, Stephenson County, Illinois, for the purpose of financing downtown redevelopment improvements, providing for the levy and collection of a direct annual tax sufficient to pay the principal and interest on said bonds, and authorizing the execution of a Bond Purchase Agreement with Robert W. Baird & Co., Incorporated, Naperville, Illinois, in connection with the sale of said bonds.

duly adopted by the City Council of the City of Freeport, Stephenson County, Illinois, on the 23rd day of April, 2018, and approved by the Mayor, and that the same has been deposited in (and all as appearing from) the official files and records of my office.

IN WITNESS WHEREOF, I hereunto affix my official signature and the seal of said County, this ____ day of May, 2018.

County Clerk of The County of Stephenson,
Illinois

[SEAL]

KEVIN
McCANNA
Chairman

DANIEL
FORBES
President

DAVID
PHILLIPS
Executive VP

RAPHALJATA
McKENZIE
Senior VP

MAGGIE
BURGER
Senior VP

ANTHONY
MICELI
Senior VP

LARRY
BURGER
Vice President

MARK
JERETINA
Vice President

April 23, 2018

The Honorable Jodi Miller
and Members of the City Council
City of Freeport
314 West Stephenson Street
Suite 200
Freeport, Illinois 61032

**RE: The City of Freeport, Stephenson County, Illinois
\$1,045,000 Taxable General Obligation Bonds, Series 2018**

Dear Mayor Miller and Council Members:

Robert W. Baird & Co., Inc., Naperville, Illinois, has submitted a bid for the purchase of the \$1,045,000 Taxable General Obligation Bonds, Series 2018, being sold by the City of Freeport, Stephenson County, Illinois.

Upon examination, it is our opinion that the bid is favorable to the City and should be accepted. Bond proceeds will be used to finance the City's downtown development and to pay the costs of issuance of the Bonds. We therefore recommend that the Bonds be awarded to the purchaser at a price of \$1,028,765.01, being at a true interest rate of 4.2047%.

Sincerely,

SPEER FINANCIAL, INC.



Mark Jeretina
Vice President

MRJ/lae

Attachments

City of Freeport, Stephenson County, Illinois

Taxable General Obligation Bonds, Series 2018

****FINAL****

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/02/2018	-	-	-	-	-
01/01/2019	65,000.00	2.750%	26,250.17	91,250.17	91,250.17
07/01/2019	-	-	18,876.25	18,876.25	-
01/01/2020	55,000.00	3.050%	18,876.25	73,876.25	92,752.50
07/01/2020	-	-	18,037.50	18,037.50	-
01/01/2021	55,000.00	3.300%	18,037.50	73,037.50	91,075.00
07/01/2021	-	-	17,130.00	17,130.00	-
01/01/2022	60,000.00	3.300%	17,130.00	77,130.00	94,260.00
07/01/2022	-	-	16,140.00	16,140.00	-
01/01/2023	60,000.00	3.650%	16,140.00	76,140.00	92,280.00
07/01/2023	-	-	15,045.00	15,045.00	-
01/01/2024	65,000.00	3.650%	15,045.00	80,045.00	95,090.00
07/01/2024	-	-	13,858.75	13,858.75	-
01/01/2025	65,000.00	3.850%	13,858.75	78,858.75	92,717.50
07/01/2025	-	-	12,607.50	12,607.50	-
01/01/2026	65,000.00	3.850%	12,607.50	77,607.50	90,215.00
07/01/2026	-	-	11,356.25	11,356.25	-
01/01/2027	70,000.00	4.000%	11,356.25	81,356.25	92,712.50
07/01/2027	-	-	9,956.25	9,956.25	-
01/01/2028	75,000.00	4.000%	9,956.25	84,956.25	94,912.50
07/01/2028	-	-	8,456.25	8,456.25	-
01/01/2029	75,000.00	4.125%	8,456.25	83,456.25	91,912.50
07/01/2029	-	-	6,909.38	6,909.38	-
01/01/2030	80,000.00	4.125%	6,909.38	86,909.38	93,818.76
07/01/2030	-	-	5,259.38	5,259.38	-
01/01/2031	80,000.00	4.125%	5,259.38	85,259.38	90,518.76
07/01/2031	-	-	3,609.38	3,609.38	-
01/01/2032	85,000.00	4.125%	3,609.38	88,609.38	92,218.76
07/01/2032	-	-	1,856.25	1,856.25	-
01/01/2033	90,000.00	4.125%	1,856.25	91,856.25	93,712.50
Total	\$1,045,000.00	-	\$344,446.45	\$1,389,446.45	-

Yield Statistics

Bond Year Dollars	\$8,638.76
Average Life	8.267 Years
Average Coupon	3.9872192%
Net Interest Cost (NIC)	4.1751510%
True Interest Cost (TIC)	4.2047476%
Bond Yield for Arbitrage Purposes	4.1156164%
All Inclusive Cost (AIC)	4.6297079%

IRS Form 8038

Net Interest Cost	4.0925506%
Weighted Average Maturity	8.238 Years

Series 2018 FINAL | SINGLE PURPOSE | 4/23/2018 | 12:30 PM

RatingsDirect®

Summary:

Freeport, Illinois; General Obligation

Primary Credit Analyst:

Cora Bruemmer, Chicago + (312) 233-7099; cora.bruemmer@spglobal.com

Secondary Contact:

Helen Samuelson, Chicago (1) 312-233-7011; helen.samuelson@spglobal.com

Table Of Contents

Rationale

Outlook

Summary:

Freeport, Illinois; General Obligation

Credit Profile

US\$1.0 mil taxable GO bonds ser 2018 due 01/01/2033

<i>Long Term Rating</i>	A/Stable	New
Freeport GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'A' long-term rating to Freeport, Ill.'s series 2018 taxable general obligation (GO) bonds. We also affirmed our 'A' long-term rating and underlying rating (SPUR) on the city's existing GO debt. The outlook is stable.

The bonds are secured by the city's GO pledge and payable from ad valorem taxes levied against all taxable property in the city without limitation to rate or amount. The city will use the series 2018 GO bond proceeds to set up a revolving loan fund to assist with downtown development.

The 'A' rating reflect our view of Freeport's:

- Very weak economy, with projected per capita effective buying income (EBI) at 73.7% of the national level, market value per capita of \$24,654, and significant population decline;
- Strong management, with "good" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Weak budgetary performance, with operating deficits in the general fund and at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2017 of 33% of operating expenditures;
- Very strong liquidity, with total government available cash at 35.8% of total governmental fund expenditures and 13.1x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges at 2.7% of expenditures and net direct debt that is 40.2% of total governmental fund revenue, as well as significant medium-term debt plans and a large pension and other postemployment benefit (OPEB) obligation and the lack of a plan to sufficiently address it; and
- Strong institutional framework score.

Very weak economy

We consider Freeport's economy very weak. The city, with an estimated population of 24,845, is the Stephenson County seat, 30 miles west of Rockford in northwest Illinois. It has a projected per capita EBI of 73.7% of the national level and a low per capita market value of \$24,654 in 2018, which, in our view, indicates a limited tax base supporting

the debt and is a negative credit factor. Overall, market value was stable over the past year at \$612.5 million in 2018. Weakening Freeport's economy is its demographic profile, which includes significant population decline of negative 6%. The county unemployment rate was 5.8% in 2016.

Freeport's local economic metrics continue to decline following the recession. The area has endured manufacturing plant closings and relatively slow employment growth. However, management reports that preliminary equalized assessed value (EAV) for 2017 shows a \$423,000 increase (1%), which would be the first such increase in five years.

The city's top employer is Freeport Health Network (FHN) Memorial Hospital, which has about 1,500 employees, followed by Titan Tire Corp. (700) and Honeywell (650). Favorably, MetLife Auto & Home, which left the city approximately 10 years ago, recently returned, adding 300 new jobs. The company opened a refurbished facility downtown, and city officials report the addition of MetLife is spurring new development of retail amenities for the employees there. Officials also note that Snak King Corp. (400) announced that it is adding 50 new jobs and Tri Star Metals has plans to double the size of its facility. Additionally, management reports that the first residential development since 2008 is currently under construction and six of the 28 planned units have been sold.

Despite the recent developments, we expect the city's market value to remain below \$30,000 per capita, which is significantly below the national and state medians, over the next two years.

Strong management

We view the city's management as strong, with "good" financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

We have revised our assessment of management from "standard" to "good" because the city has begun more robust capital and financial planning. In April 2017, Freeport voters passed a referendum to change to a managerial form of government, and the first city manager was appointed in May. The new management team has been working to update and formalize financial practices and policies. The city has moved to a performance-based budget process. It uses at least three-to-five years of history in forecasting trends in the budget and consults with outside sources of information. Management provides monthly budget-to-actual reports to the city council. The city does not yet have a multiyear financial plan, but the new management team's goal is to create one. It does have a five-year capital improvement plan that it updates annually and identifies sources and uses of funds. The city has its own investment policy and provides a monthly investment report detailing investment holdings and earnings to the city council. It does not have a debt management policy. It has a formal fund balance policy to maintain 25% of general fund operating expenditures in reserve, which it has historically met. Additionally, the city just passed an ordinance to establish a \$1 million emergency reserve in the general fund.

Weak budgetary performance

Freeport's budgetary performance is weak, in our opinion. The city had operating deficits of negative 4.8% of expenditures in the general fund and of negative 9.8% across all governmental funds in fiscal 2017.

We have adjusted the city's revenues and expenditures to account for recurring transfers into and out of the general fund. We also removed expenditures related to one-time capital projects. Additionally, we added the difference

between the city's actual contribution to its police and firefighters' pension plans and the actuarial determined contribution (ADC) as an expenditure (\$1.17 million in 2017).

Freeport is a home-rule city and has the ability to raise its property tax levy or implement other revenues through city council approval. Taxes accounted for 67% of general fund revenues in fiscal 2017, followed by intergovernmental revenue (20.7%), then charges for services (4.7%) and licenses, permits, and fees (4.6%). The city has increased its property tax rate annually, and has structured its budgets for break-even operations, but only incorporates the statutorily required pension payment which is less than the ADC. As a result, in fiscal 2017, the city reported a \$514,000 increase in general fund balance; however, after our adjustments for the deficiency in pension payments, the year closed with a sizable operating deficit.

The fiscal original fiscal 2018 budget called for a \$452,000 deficit. However, the new management team, which arrived after the budget was completed, has implemented cost controls over the course of the year and now expects to close the year with break-even operations. Still, the 2018 budget only incorporated the city's statutorily required pension contribution rather than the ADC, so some structural imbalance remains. The preliminary fiscal 2019 budget calls for a \$35,000 general fund surplus, but it also does not incorporate the full ADC. City officials hope to begin paying the ADC in fiscal 2020.

Other than not meeting the ADC for its pensions, the city has demonstrated steady financial performance. If management is able to incorporate the full ADC into its budget while achieving break-even-to-surplus general fund results, we would view that as an improvement in its financial performance.

Very strong budgetary flexibility

Freeport's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2017 of 33% of operating expenditures, or \$6.6 million.

In 2017, the city passed an ordinance to establish a \$1 million emergency reserve in its general fund that is restricted for events such as natural disasters or cuts in state aid, and it requires action by the city council to use. The ordinance additionally requires that the city increase the reserve by \$250,000 each year. As a result, we expect that the fiscal 2018 unassigned general fund balance will be reduced by \$1 million, and the restricted general fund balance will increase by \$1 million; however, we would view this portion of the restricted reserve as part of the city's available general fund balance. The fiscal 2019 budget includes \$250,000 to be added to the emergency reserve in addition to the \$35,000 general fund surplus, so we expect the available general fund balance to increase by approximately \$285,000. Looking ahead, we expect the city's available fund balances to remain very strong.

Very strong liquidity

In our opinion, Freeport's liquidity is very strong, with total government available cash at 35.8% of total governmental fund expenditures and 13.1x governmental debt service in 2017. In our view, the city has strong access to external liquidity if necessary.

In our view, the city has strong access to external liquidity if necessary, given its frequent issuances of GO bonds in the past 20 years. It does not currently have any variable-rate or direct-purchase debt.

Very weak debt and contingent liability profile

In our view, Freeport's debt and contingent liability profile is very weak. Total governmental fund debt service is 2.7% of total governmental fund expenditures, and net direct debt is 40.2% of total governmental fund revenue. Negatively affecting our view of the city's debt profile is its significant medium-term debt plans.

We have adjusted the city's debt burden to account for GO debt that is supported by its sewer and storm sewer enterprises. Management does not have additional new-money GO debt plans at this time; however, it will likely enter into new loans with the Illinois Environmental Protection Agency (IEPA), for the drilling of two new wells. The city is currently under a consent order relating to the operation of its wells. It is in the process of reviewing its rate structure to accommodate the additional debt.

In our opinion, a credit weakness is Freeport's large pension and OPEB obligation, without a plan in place that we think will sufficiently address it. Freeport's combined required pension and actual OPEB contributions totaled 16.4% of total governmental fund expenditures in 2017. Of that amount, 14.8% represented required contributions to pension obligations, and 1.6% represented OPEB payments. The city made 79% of its annual required pension contribution in 2017. The funded ratio of the largest pension plan is 50.6%.

The city participates in the Illinois Municipal Retirement Fund (IMRF), an agent multiemployer defined-benefit pension plan, as well as two single-employer defined-benefit pension plans - its Police Pension Plan and Firefighters Pension Plan. During fiscal 2017, the city contributed more than was statutorily required to catch up on a payment owed from several years prior. As of Dec. 31, 2016, its IMRF plan was 94.2% funded and its net pension liability was \$1.8 million.

The city has historically funded its Police and Firefighter pension plans at the level required by state law, but the statutory payment has not kept up with the ADC. As a result, the Police Pension Plan was 50.6% funded and the net pension liability was \$22 million, and the Firefighters' Pension Plan was 74.9% funded and the net pension liability was \$11.3 million at the close of 2017. City officials report that they expect to continue to pay the statutory minimum in fiscal years 2018 and 2019, but hope to begin paying the ADC in fiscal 2020. They report that they would likely need to increase property taxes to support the increased payments. Given that the city is not contributing the ADC in 2018 and 2019, we expect the net pension liability for the two single-employer plans to increase. At this time, we do not believe that the city has developed a sufficient plan to address its long-term pension liabilities, given that it has not yet implemented a firm plan to begin paying the ADC.

In addition, management funds OPEBs through pay-as-you-go financing. In fiscal 2015, management contributed \$424,000, or 33% of its annual OPEB required contribution. The city's unfunded actuarial accrued liability was \$14.8 million as of April 30, 2017.

Strong institutional framework

The institutional framework score for Illinois home-rule cities and villages is strong.

Outlook

The stable outlook reflects our expectation that Freeport will adequately manage its finances and maintain very strong budgetary flexibility. We do not anticipate changing the rating during the next two years.

Downside scenario

Should budgetary performance deteriorate, causing a reduction in available reserves, we could lower the rating.

Upside scenario

The city's economic factors are unlikely to change significantly in the near term; however, we could raise the rating if the market value per capita were to increase and be maintained at a level that we believe is commensurate with peers or above \$30,000 per capita.

Ratings Detail (As Of April 2, 2018)

Freeport GO bnds		
<i>Long Term Rating</i>	A/Stable	Affirmed
Freeport GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Freeport GO (BAM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Freeport GO (BAM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

\$1,045,000
CITY OF FREEPORT, STEPHENSON COUNTY, ILLINOIS
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2018

BOND PURCHASE AGREEMENT

April 23, 2018

City of Freeport
City Hall Building
314 W. Stephenson St., Suite 200
Freeport, IL 61032

Ladies and Gentlemen:

The undersigned, Robert W. Baird & Co. Incorporated (the "Underwriter") offers to enter into the following purchase agreement (this "Bond Purchase Agreement") with the City of Freeport, Stephenson County, Illinois (the "Issuer") which, upon the Issuer's acceptance of this offer, will be binding upon the Issuer and the Underwriter. This offer is made subject to the Issuer's acceptance of this Bond Purchase Agreement, which acceptance shall be evidenced by the execution of this Bond Purchase Agreement by a duly authorized officer of the Issuer, on or before 11:00 p.m. Central Time, on the date hereof. Upon such acceptance, execution and delivery, this Bond Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer and the Underwriter. Except as expressly otherwise defined herein, capitalized terms used herein shall have the same meanings as set forth in the Ordinance or the Preliminary Official Statement (each as defined below).

1. Purchase and Sale.

(a) Upon the terms and conditions and based on the representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all (but not less than all) of the \$1,045,000 aggregate principal amount of the Issuer's Taxable General Obligation Bonds, Series 2018 (the "Bonds"), dated the date of payment for and the delivery of the Bonds (such payment and delivery being herein sometimes called the "Closing"). The purchase price for the Bonds shall be \$1,028,765.01 (the same being the principal amount of the Bonds, less an original issue discount of \$5,900.75, less an underwriter's discount of \$10,334.24) (the "Purchase Price"). The Underwriter shall pay the Purchase Price for the Bonds on the day of the Closing by wiring \$1,028,765.01, at the Issuer's direction, to the Issuer's account(s).

(b) The Bonds are authorized under and will be issued and secured pursuant to a bond ordinance that the City Council of the Issuer adopted on April 23, 2018 (the "Ordinance").

(c) The Bonds are general obligations of the Issuer secured by an irrevocable pledge of the Issuer's full faith, credit, and taxing power. The Bonds shall be dated the date of the Closing, shall mature on the dates and in the amounts, shall bear interest at the rates and shall have the terms stated in Exhibit A attached hereto.

(d) The proceeds received by the Issuer from the sale of the Bonds will be used to finance the Issuer's downtown development and to pay costs of issuance.

2. Sale of All the Bonds; Offering. It shall be a condition to the Issuer's obligation to sell and deliver the Bonds to the Underwriter, and to the obligation of the Underwriter to purchase and accept delivery of the Bonds, that the entire principal amount of the Bonds is sold and delivered by the Issuer and accepted and paid for by the Underwriter at the Closing. The Underwriter intends to make a bona fide public offering of all the Bonds at a price or prices not in excess of the initial public offering price or prices set forth on the front cover page of the Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts or mutual funds) at prices lower than such public offering prices. The Underwriter reserves the right to make such changes in such prices as the Underwriter shall deem necessary in connection with the offering of the Bonds.

3. Official Statement. The Issuer hereby ratifies and approves the Preliminary Official Statement dated April 5, 2018 (the "Preliminary Official Statement"), and consents to its distribution and use by the Underwriter prior to the date hereof in connection with the public offering and sale of the Bonds. The Issuer confirms that the Preliminary Official Statement was "deemed final" by the Issuer as of its date for purposes of Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule").

Upon acceptance of this offer, the Issuer shall prepare a final Official Statement and shall, within the earlier of seven (7) business days following the date hereof or two business days prior to the Closing Date (as hereinafter defined), deliver to the Underwriter printed copies of such final Official Statement (such final Official Statement, together with any amendment or supplement thereto, being the "Official Statement") in sufficient quantity as may reasonably be required by the Underwriter in order to comply with the Rule and any applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Issuer hereby authorizes and approves the Official Statement and consents to the use and distribution of the Official Statement by the Underwriter in connection with the public offering and sale of the Bonds. At the time of or prior to the Closing, the Underwriter will file, or cause to be filed, the Official Statement with the MSRB. In addition, the Issuer hereby approves and authorizes the Underwriter to coordinate the printing of the Official Statement and consents to the electronic distribution of the Official Statement.

4. The Issuer hereby represents, warrants and covenants that:

(a) The Issuer is a duly created and existing public and governmental body acting as a municipality pursuant to the laws of the State of Illinois pursuant to the Illinois Municipal Code of the State of Illinois (the "Municipal Code"), and is authorized pursuant to the Municipal Code, the Local Government Debt Reform Act of the State of Illinois (the

“Act”), in each case as supplemented and, where necessary, superseded by the home rule powers of the Issuer and the Ordinance to issue the Bonds.

(b) The Issuer has full legal right, power and authority to (i) adopt the Ordinance and irrevocably pledge its full faith, credit, and taxing power as security for the payment of the principal of, premium, if any, and interest on the Bonds; (ii) execute and deliver this Bond Purchase Agreement; (iii) issue, sell and deliver the Bonds to the Underwriter as provided in this Bond Purchase Agreement; (iv) approve and authorize the distribution of the Preliminary Official Statement and the Official Statement; and (v) carry out and consummate all other transactions contemplated by this Bond Purchase Agreement, the Ordinance, the Continuing Disclosure Undertaking to be dated the Closing Date (the “Continuing Disclosure Agreement”) and the Official Statement.

(c) The Ordinance has been duly adopted by the Issuer, and the Issuer has duly authorized all necessary action to be taken by the Issuer for (i) the offering, issuance, sale, and delivery of the Bonds upon the terms set forth herein and in the Official Statement, (ii) the execution and delivery by the Issuer of the Bonds, this Bond Purchase Agreement, and the Continuing Disclosure Agreement and the performance of its obligations under the Bonds, this Bond Purchase Agreement, the Ordinance, the Continuing Disclosure Agreement and any and all such other agreements and documents as may be required to be executed, delivered, and received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated hereby and by the Official Statement (the “Issuer Documents”), and (iii) the authorization of the use and distribution of the Official Statement.

(d) The Ordinance, this Bond Purchase Agreement and any other instrument or agreement to which the Issuer is a party in connection with the consummation of the transactions contemplated by the foregoing documents, when executed, as applicable, and delivered by the parties hereto, constitutes a legal, valid and binding obligation of the Issuer (subject, as to the enforcement of remedies, to the valid exercise of judicial discretion, the sovereign police powers of the State of Illinois and constitutional powers of the United States of America and to any valid applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the rights of creditors generally and the exercise of judicial discretion in accordance with general principles of equity).

(e) When delivered to and paid for by the Underwriter at the Closing, in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated and delivered by the Issuer and will constitute legal, valid and binding general obligations of the Issuer, enforceable in accordance with their terms (subject, as to the enforcement of remedies, to the valid exercise of judicial discretion, the sovereign police powers of the State of Illinois and constitutional powers of the United States of America and to any valid applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the rights of creditors generally and the exercise of judicial discretion in accordance with general principles of equity) and will be entitled to the benefits of, and secured as provided in, the Ordinance.

(f) The Issuer has complied, and will at the Closing be in compliance, in all material respects, with the Ordinance and the Municipal Code; the Issuer will enter into the Continuing Disclosure Agreement; and the Issuer has complied with all of its previous continuing disclosure obligations under the Rule, except as otherwise disclosed in the Official Statement.

(g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge of the Issuer, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent the Issuer from functioning or contesting or questioning the existence of the Issuer or the titles of the present officers of the Issuer to their offices; or (ii) wherein an unfavorable decision, ruling or finding would (A) adversely affect the existence or powers of the Issuer or the validity or enforceability of the Bonds, the Ordinance, this Bond Purchase Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby including, without limitation, the documents described in (B) below or by the aforesaid documents; or (B) materially adversely affect the transactions contemplated by the Issuer Documents or the Official Statement.

(h) The Issuer's adoption of the Ordinance, its execution and delivery of the Issuer Documents and the Bonds, and compliance with the provisions thereof and hereof, do not and will not conflict with or constitute, on the Issuer's part, a violation of, breach of or default under any material statute, existing law, administrative regulation, filing, decree or order, state or federal, or any provision of the Constitution or laws of the State of Illinois, or any rule or regulation of the Issuer, or any material indenture, mortgage, lease, deed of trust, note, resolution, or other agreement or instrument to which the Issuer, or its properties, are subject or by which the Issuer, or its properties, are or may be bound or, to the knowledge of the Issuer, any order, rule or regulation of any regulatory body or court having jurisdiction over the Issuer or its activities or properties.

(i) The Issuer is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default in any material respect under any document or instrument under and subject to which any indebtedness for borrowed money has been incurred which default would affect materially and adversely the transactions contemplated by this Bond Purchase Agreement or the Issuer Documents. No event has occurred or is continuing under the provisions of any such document or instrument that, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder, which event of default would affect adversely the transactions contemplated by this Bond Purchase Agreement or the Issuer Documents.

(j) The Issuer is not in material breach of or in default under the Ordinance, any applicable law or administrative regulation of the State of Illinois or the United States, or any applicable judgment or decree, or any loan agreement, note, resolution or other agreement or instrument to which the Issuer is a party or is otherwise subject, which

breach or default would in any way materially adversely affect the authorization or issuance of the Bonds and the transactions contemplated hereby, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a breach or default.

(k) On and as of the Closing, all authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency, or other instrumentality or court required to be obtained, given, or taken on behalf of the Issuer in connection with the execution, delivery and performance by the Issuer of this Bond Purchase Agreement, the Bonds, and any other agreement or instrument to which the Issuer is a party and which has been or will be executed in connection with the consummation of the transactions contemplated by the foregoing documents, will have been obtained, given, or taken and will be in full force and effect.

(l) Any certificate signed by an authorized officer of the Issuer delivered to the Underwriter shall be deemed a representation and warranty by the Issuer to the Underwriter as to the truth of the statements made therein.

(m) The Issuer has and will cooperate with the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Authority will not be required to execute a general or special consent to service of process or qualify to do business in connection with any qualification or determination in any jurisdiction.

(n) The audited financial statements of the Issuer examined by Lauterbach & Amen, LLP, independent auditors, for the period ended April 30, 2017, present fairly the Issuer's financial condition as of the respective dates and the results of its operations for the respective periods set forth therein and have been prepared in accordance with generally accepted accounting principles consistently applied. There has been no material adverse change in the financial affairs of the Issuer since April 30, 2017, except as disclosed specifically in the Official Statement.

(o) If between the date of this Bond Purchase Agreement and the date 25 days after the "end of the underwriting period" for the Bonds, as defined in the Rule, any event occurs which might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer shall promptly provide written notice to the Underwriter thereof, and if, in the opinion of the Issuer or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer shall at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. For purposes of this Bond Purchase Agreement, the "end of the underwriting period" shall be deemed to be the Closing Date, unless the Underwriter shall have notified the Issuer to the contrary on or before the Closing Date.

(p) If the Official Statement is supplemented or amended pursuant to subsection (o) of this Section, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the Closing Date, the Issuer shall take all steps necessary to ensure that the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(q) The information in the Preliminary Official Statement, including its attachments and appendices, at the time of acceptance hereof is correct in all material respects, and such Preliminary Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and the information in the Official Statement as of its date and as of the Closing Date, will be true and correct and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(r) The execution and delivery of this Bond Purchase Agreement by the Issuer shall constitute a representation by the Issuer to the Underwriter that the representations, warranties and covenants contained in this Section 5 are true as of the date hereof; provided that no officer of the Issuer shall be individually liable for the breach of any representation, warranty or covenant made by the Issuer in this Section 4.

5. Closing. At 10:00 a.m., Central Time, May 2, 2018, or at such other time or date as the Issuer and the Underwriter shall mutually agree upon (the "Closing Date"), the Issuer shall (A) deliver or cause to be delivered, through the custody of The Depository Trust Company, New York, New York ("DTC"), or at such place as the Underwriter and the Issuer shall mutually agree upon, for the account of the Underwriter, the Bonds duly executed by the Issuer in fully registered form, bearing proper CUSIP numbers, and registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds; and (B) deliver or cause to be delivered, to the Underwriter at Naperville, Illinois, or at such other place as the Issuer and the Underwriter may mutually agree upon, the documents described in Section 6(d) hereof. Concurrently with the delivery of the Bonds and the documents mentioned in Section 6(d) hereof at the Closing, subject to the conditions contained herein, the Underwriter will accept such delivery and will pay the purchase price of the Bonds to the order or account of the Issuer in the amount set forth in Exhibit A hereof by wire transfer in immediately available funds. The Closing shall take place at the offices of the Issuer. The Bonds shall be available for inspection by the Underwriter at least two business days prior to Closing.

6. Closing Conditions/Right to Cancel. The Underwriter enters into this Bond Purchase Agreement in reliance upon the Issuer's representations and agreements herein and the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the

Closing Date. The Underwriter's obligations under this Bond Purchase Agreement are and shall be subject to the following additional conditions:

(a) At the time of the Closing, the Ordinance shall be in full force and effect and neither the Ordinance or the Official Statement shall have been amended, modified or supplemented, except as may have been approved in writing by the Underwriter, and the Issuer shall have duly adopted, and there shall be in full force and effect, such other resolutions as, in the opinion of Chapman and Cutler LLP ("Bond Counsel"), shall be necessary in connection with the transaction contemplated hereby.

(b) The Bonds, as set forth in Section 5, shall be deposited with DTC.

(c) The Underwriter shall have the right to cancel its obligation to purchase the Bonds at the time of Closing if any of the documents, certificates or opinions to be delivered to the Underwriter hereunder is not delivered at the time of Closing or if, between the date hereof and the time of Closing, one or more of the following occurs:

(i) Legislation (whether or not yet introduced in Congress of the United States ("Congress")) shall be enacted or be actively considered for enactment by the Congress or recommended to the Congress by the President of the United States or favorably reported for passage to either House of Congress by any committee of such House, or a conference committee of both Houses, to which such legislation had been referred for consideration, or a decision by a federal court of the United States or the United States Tax Court shall be rendered, or an order, ruling, regulation or official statement by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or other governmental agency shall be made or proposed, or a release or official statement made by the President of the United States or by the Treasury Department of the United States or the Internal Revenue Service, with respect to federal taxation upon revenues or other income of the general character to be derived by the Issuer or upon interest received on obligations of the general character of the Bonds which in the Underwriter's judgment, materially adversely affects the market for the Bonds; or

(ii) Legislation shall hereafter be enacted or actively considered for enactment or introduction, with an effective date on or prior to the Closing, or a decision by a court of the United States shall be rendered or a stop order, ruling, regulation or proposed regulation by or on behalf of the Securities and Exchange Commission or other agency having jurisdiction shall be made, to the effect that the issuance, sale and delivery of the Bonds, or any other obligations of any similar public body of the general character of the Issuer is in violation of the Securities Act of 1933, as amended, of the Securities Exchange Act of 1934, as amended, or of the Trust Indenture Act of 1939, as amended or with the purpose or effect of otherwise prohibiting the issuance, sale or delivery of the Bonds, as contemplated

hereby, or of obligations of the general character of the Bonds; or

- (iii) There shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, calamity or crisis on the financial markets of the United States being such as, in the Underwriter's judgment, would make it impracticable for the Underwriter to deliver the Bonds; or
- (iv) There shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or
- (v) A general banking moratorium shall have been declared by federal, Illinois or New York authorities having jurisdiction, and be in force, or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred such as to make it, in the judgment of the Underwriter, impractical or inadvisable to proceed with the offering of the Bonds as contemplated in the Official Statement; or
- (vi) An event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein not misleading in any material respect and requires an amendment of or supplement to the Official Statement and the effect of which, in the judgment of the Underwriter, would materially adversely affect the market for the Bonds or the sale, at the contemplated offering prices (or yields), by the Underwriter of the Bonds; or
- (vii) S&P Global Ratings ("S&P") shall have taken any action to lower, suspend or withdraw their respective ratings on the Bonds or Municipal Assurance Corporation (the "Bond Insurer") or bonds insured by the Bond Insurer or any general obligations of the Issuer and such action, in the opinion of the Underwriter, would adversely affect the market price or marketability of the Bonds.

- (d) At the Closing, the Underwriter shall receive the following documents:
- (i) Duly certified copies of the Ordinance;
 - (ii) The approving opinion of Bond Counsel in the form set forth in Appendix C of the Official Statement together with a supplemental opinion in form and substance satisfactory to the Underwriter, and a reliance letter addressed to the Underwriter, each of which shall be dated the Closing Date;
 - (iii) A certificate, dated the Closing Date, of the duly authorized representative(s) or officer(s) of the Issuer and in form and substance satisfactory to the Underwriter, to the effect that:
 - (A) the representations and agreements of the Issuer herein are true and correct in all material respects as of the Closing Date;
 - (B) the financial information relating to the Issuer provided to the Underwriter presents fairly the financial position of the Issuer as of the date indicated therein and the results of its operations for the period specified therein and the financial statements from which such information was derived have been prepared in accordance with applicable law with respect to the period involved;
 - (C) since April 30, 2017, there has not been any material adverse change in the financial condition of the Issuer taken as a whole or no increase in the Issuer's indebtedness for borrowed money, other than as previously disclosed to the Underwriter;
 - (D) there are not pending or, to such officials' knowledge, threatened legal proceedings that will materially adversely affect the transactions contemplated hereby or by the Ordinance, or the validity or enforceability of the Bonds, or the security therefor; and
 - (E) the Issuer has complied with all agreements and satisfied all the conditions on its part required to be performed or satisfied at or prior to the Closing, other than those specified hereunder that have been waived by the Underwriter;
 - (iv) A photocopy of the Official Statement as executed by the Issuer;
 - (v) An original Continuing Disclosure Agreement;
 - (vi) One counterpart original or CD Rom of a transcript of all proceedings relating to the authorization and issuance of the Bonds (within 60 days after the Closing Date);

- (vii) Specimen Bonds or a copy of the Bond(s) delivered;
- (viii) A certificate, dated the Closing Date, of the duly authorized representative(s) or officer(s) of the Issuer to the effect that the information contained in the Official Statement as of the date of Closing is correct in all material respects;
- (ix) A certificate, dated the Closing Date, of the duly authorized representative(s) or officer(s), with a copy of the Ordinance attached, to the effect that the Ordinance has been duly adopted and remains in full force and effect;
- (x) Evidence that S&P has issued an underlying rating for the Bonds of not less than "A" (Stable Outlook) and an insured rating of "AA" (Stable Outlook);
- (xi) An opinion of counsel to the Bond Insurer, dated the Closing Date, as to the enforceability of the financial guaranty insurance policy;
- (xii) A financial guaranty insurance policy issued by the Bond Insurer guaranteeing the payment when due of the principal of and interest on the Bonds;
- (xiii) Such additional legal opinions, certificates, proceedings, instruments and other documents, as the Underwriter or legal counsel to the Underwriter may reasonably request to evidence compliance by the Issuer with legal requirements relating to the issuance of the Bonds, the truth and accuracy, as of the date of Closing, of all representations contained herein and the due performance or satisfaction by the Issuer at or prior to the date of Closing of all agreements then to be performed and all conditions then to be satisfied as contemplated under this Bond Purchase Agreement and the Ordinance.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Issuer nor the Underwriter shall have any further obligations hereunder, except that Sections 8 and 9 and the representations and warranties of the Issuer contained herein (as of the date made) will continue in full force and effect.

7. Survival. All representations, warranties and agreements of the Issuer set forth in or made pursuant to this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

8. Payment of Expenses. The Issuer shall pay, out of the proceeds of the Bonds or from its own funds, any expenses incident to the performance of its obligations hereunder, including but not limited to (A) the cost of the preparation, reproduction, printing, distribution, and mailing, of the Official Statement; (B) the fees and disbursements of Bond Counsel, Municipal Advisor, and

Paying Agent; (C) the fees and disbursements of any experts retained by the Issuer; (D) fees charged by the rating agencies for the rating of the Bonds; (E) any fees and expenses related to the Bond Insurer; (F) the cost of qualifying the Bonds under the laws of such jurisdictions as the Underwriter may designate, including filing fees and fees and disbursements of counsel for the Underwriter in connection with such qualification and the preparation of Blue Sky Memoranda; and (G) paying or reimbursing the Underwriter for all underwriting expenses, including without limitation, CUSIP, DTC, IPREO (electronic book-running/sales order system), and printing and mailing/distribution charges.

If the Bonds are not sold by the Issuer to the Underwriter, the Issuer shall pay all expenses incident to the performance of the Issuer's obligations hereunder as provided in this Section.

The Underwriter shall pay any fees of the MSRB in connection with the issuance of the Bonds.

9. Notices. Any notice or other communication to be given to the Issuer under this Bond Purchase Agreement may be given by delivering the same in writing or by telex or telecopy to the address shown below, and any notice under this Bond Purchase Agreement to the Underwriter may be given by delivering the same in writing to the Underwriter as follows:

City of Freeport
City Hall Building
314 W. Stephenson St., Suite 200
Freeport, IL 61032
(Attention: Mr. Lowell Crow, City Manager)

Robert W. Baird & Co. Incorporated
300 E. Fifth Ave, Suite 300
Naperville, IL 60563
(Attention: Mr. Stephan Roberts, Director)

10. Governing Law. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

11. Effectiveness. This Bond Purchase Agreement shall become effective upon the acceptance hereof by the Issuer.

12. Arm-Length Transaction. The Issuer acknowledges and agrees that the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the Issuer and the Underwriter, acting solely as a principal and not as a municipal advisor, financial advisor or agent of the Issuer. The Underwriter has not assumed a financial advisory responsibility in favor of the Issuer with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Issuer on other matters) or any other obligation to the Issuer except the obligations expressly set forth in this Bond Purchase Agreement, it being the

Issuer's understanding that a financial advisory relationship shall not be deemed to exist when, in the course of acting as an underwriter, a broker, dealer or municipal securities dealer, a person renders advice to an issuer, including advice with respect to the structure, timing, terms and other similar matters concerning a new issue of municipal securities. The Underwriter has provided to the Issuer prior disclosures regarding their role as underwriters, their compensation, any potential or actual material conflicts of interest, and material financial characteristics and material financial risks associated with the transaction to the extent required by MSRB rules. The Underwriter hereby notifies the Issuer that the Underwriter is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), the Underwriter is not an agent of the Issuer, and the Underwriter does not have a fiduciary duty to the Issuer in connection with the matters contemplated by this Agreement. The Issuer has consulted its own legal, financial, and other advisors to the extent it has deemed appropriate.

13. Miscellaneous.

(a) If any provision of this Bond Purchase Agreement shall be held or deemed to be or shall, in fact, be inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions because it conflicts with any provisions of any constitution, statute, rule or public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

(b) This Bond Purchase Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which shall constitute but one and the same instrument.

(c) This Bond Purchase Agreement is made solely for the benefit of is binding on Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. It is the entire agreement of the parties, superseding all prior agreements, and may not be modified except in writing signed by both of the parties hereto.

(d) Under this Bond Purchase Agreement, the Underwriter is acting as a principal and not as agent or fiduciary, and the Underwriter's engagement is as an independent contractor and not in any other capacity. The Issuer agrees that it is solely responsible for making its own judgments in connection with the offering of the Bonds regardless of whether the Underwriter has or is currently advising the Issuer on related or other matters.

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Very truly yours,

ROBERT W. BAIRD & CO. INCORPORATED

By: _____
Stephan Roberts, Director

*Underwriter Signature Page for Bond Purchase Agreement
Taxable General Obligation Bonds,
Series 2018*

Accepted and agreed to as
of the date first above written:

CITY OF FREEPORT, STEPHENSON COUNTY, ILLINOIS

By: _____

Name: _____

Title: _____

EXHIBIT A

**CITY OF FREEPORT
STEPHENSON COUNTY, ILLINOIS**

**\$1,045,000
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2018**

Dated Date: May 2, 2018

First Coupon: January 1, 2019

Maturity Schedule:

\$120,000 Serial Bonds

<u>January 1 Maturity</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Yield</u>
2019	\$65,000	2.750%	2.750%
2020	55,000	3.050	3.050

\$925,000 Term Bonds

- \$115,000* 3.300% Term Bonds Due January 1, 2022 (Priced to Yield 3.300%)
- \$125,000* 3.650% Term Bonds Due January 1, 2024 (Priced to Yield 3.650%)
- \$130,000* 3.850% Term Bonds Due January 1, 2026 (Priced to Yield 3.850%)
- \$145,000* 4.000% Term Bonds Due January 1, 2028 (Priced to Yield 4.000%)
- \$155,000* 4.125% Term Bonds Due January 1, 2030 (Priced to Yield 4.200%)
- \$255,000* 4.125% Term Bonds Due January 1, 2033 (Priced to Yield 4.300%)

Optional Redemption: The Bonds maturing on and after January 1, 2030 are subject to redemption prior to maturity at the option of the Issuer, from any available funds on January 1, 2028, and any date thereafter, in whole or in part, and if in part in such principal amounts and from such maturities as determined by the Issuer, and within any maturity by lot, at a redemption price of par plus accrued interest to the date fixed for redemption.

*Subject to mandatory redemption as set forth below.

Mandatory Redemption:

Term Bond Due January 1, 2022

<u>Redemption Dates</u>	<u>Principal Amount</u>
January 1, 2021	\$55,000
January 1, 2022 (maturity)	60,000

Term Bond Due January 1, 2024

<u>Redemption Dates</u>	<u>Principal Amount</u>
January 1, 2023	\$60,000
January 1, 2024 (maturity)	65,000

Term Bond Due January 1, 2026

<u>Redemption Dates</u>	<u>Principal Amount</u>
January 1, 2025	\$65,000
January 1, 2026 (maturity)	65,000

Term Bond Due January 1, 2028

<u>Redemption Dates</u>	<u>Principal Amount</u>
January 1, 2027	\$70,000
January 1, 2028 (maturity)	75,000

Term Bond Due January 1, 2030

<u>Redemption Dates</u>	<u>Principal Amount</u>
January 1, 2029	\$75,000
January 1, 2030 (maturity)	80,000

Term Bond Due January 1, 2033

<u>Redemption Dates</u>	<u>Principal Amount</u>
January 1, 2031	\$80,000
January 1, 2032	85,000
January 1, 2033 (maturity)	90,000