
ORDINANCE NUMBER 92-O-02

AN ORDINANCE of the City of Evanston, Cook County, Illinois, in connection with its General Obligation Variable Rate Demand Bonds, Series 2002, authorizing one or more agreements to be made to hedge the interest rate to be paid on all or a portion of said Bonds.

Adopted by the City Council
on the 23th day of September 2002.

Published in Pamphlet Form
by the Authority of the City
Council on the 24th day of
September 2002.

ORDINANCE NUMBER 92-O-02

AN ORDINANCE of the City of Evanston, Cook County, Illinois, in connection with its General Obligation Variable Rate Demand Bonds, Series 2002, authorizing one or more agreements to be made to hedge the interest rate to be paid on a portion of said Bonds.

WHEREAS

A. The City of Evanston, Cook County, Illinois (the "*City* ") has a population in excess of 25,000 as determined by the last official census, 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 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.

B. 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.

C. Pursuant to the provisions of said Section 6, and Ordinance Number 82-O-02 (the "*Bond Ordinance*"), adopted by the City Council of the City (the "*City Council*") on September 9, 2002, and an Indenture of Trust, dated as of September 1, 2002 (the "*Indenture*"), between the City and American National Bank and Trust Company of Chicago, Illinois, as trustee (the "*Trustee*"), the City has issued and there are outstanding General Obligation Variable Rate Demand Bonds, Series 2002 (Sherman Plaza Project), consisting, as defined in the Bond Ordinance, of two series -- 2002A and Taxable Series 2002B (collectively, the "*Bonds*"), which Bonds bear interest at a rate or rates to be reset from time to time pursuant to the terms thereof.

D. Further, pursuant to the provisions of said Section 6, the City is authorized and empowered to enter into one or more interest rate transactions designed to hedge the interest

rate payable on variable rate obligations such as the Bonds (such agreements being either interest rate swap agreements ("*IRSW Agreements*") or interest rate cap agreements ("*IRC Agreements*")), which transactions are more fully described herein; and the City has satisfied all conditions precedent to the exercise of such authority and made the appropriate determinations and findings required by such legal authority to enter into such transactions.

E. By engaging in the *IRSW Agreements* and/or the *IRC Agreements*, the City can hedge its interest rate exposure on the Bonds and may reduce the cost of borrowing in certain high short-term interest rate markets, and thereby improve the City's ability to manage its funds and revenues during the period that the Bonds are outstanding.

F. The City Council of the City (the "*City Council*") has determined that it is desirable and in the best interests of the City to authorize entering into *IRSW Agreements* in an aggregate notional amount not to exceed the principal amount for each Series of Bonds, and/or *IRC Agreements*, in whichever case in accordance with the form for such agreement as promulgated by the International Swap Dealers Association, Inc. ("*ISDA*"), and known as the Master Agreement (Local Currency – Single Jurisdiction), 1991 *ISDA* Definitions, and 1992 *ISDA* U.S. Municipal Counterparty Definitions (collectively, the "*ISDA Form*"), with successful bidders after a competitive offering to be made for the *IRSW Agreements* and/or *IRC Agreements* (the "*Counterparties*").

G. After review by counsel, it may be determined to be necessary, in order to properly provide for the *IRSW Agreements* and/or *IRC Agreements*, to amend or supplement the Indenture.

NOW THEREFORE BE IT ORDAINED by the City Council of the City of Evanston, Cook County, Illinois, as follows:

Section 1. Incorporation of Preambles. The City Council hereby finds that all of the recitals contained in the preambles to this Ordinance are full, true, and correct and does incorporate them into this Ordinance by this reference.

Section 2. Interest Rate Swap Agreements. IRSW Agreements shall be sought by the City through Sound Capital Management, Inc. and Legg Mason Wood Walker, Inc., as agent and broker (the "City Swap Agents"), for such agreements in not to exceed the aggregate notional amounts, providing interest rates at not greater than the rates for the City to pay, allocable to such of the Tax-exempt Portion of the Bonds, and having an up-front cost or receipt to the City of not to exceed the amounts, all as follows:

AGGREGATE AMOUNT (\$)	TO SERIES	MAXIMUM RATE (%)	MAXIMUM PAYMENT (\$)
	2002A		
		-or-	
	2002B		
		-or-	
	2002A and 2002B		
		-or-	
A succession of such agreements not to exceed the maximum of \$			first stated.

The Counterparties to such agreements, as provided in the bid specifications to be prepared by the City's Swap Agents, shall be institutions having a credit rating of not lower than the general category of "AA" by any two of the three major credit rating agencies (now commonly known as Standard & Poor's, Moody's, and Fitch) and such bid specifications shall make provision for substitution or collateralization or appropriate termination in the event a Counterparty's rating falls below such category. The notional amount of the IRSW Agreement shall be amortize on a schedule related to the expected amortization of the Tax Exempt Series of Bonds affected by such agreement, and in any event, all IRSW Agreements termination dates shall be on or before December 1, _____. The IRSW Agreements shall provide for the City to pay a fixed rate of

interest not in excess of _____% per annum, as indicated above, and receive a variable rate of interest measured by either the variable rate of interest to be paid by the City on the Series of Bonds affected, or a variable rate interest index such as The Bond Market Association Municipal Swap Index or a percentage of a taxable index. Any IRSW Agreement may provide for the payment of certain amounts ("*Early Termination Payments*") either by the City or the Counterparty in the event the IRSW Agreement is terminated prior to its stated termination date. Any IRSW Agreement may be made subject to a call on the part of the Counterparty at the variable interest rate to be paid of not less than ____%. Pursuant to U.S. Treasury Regulation §150-2, the City hereby declares that it reasonably expects that any Early Termination Payments paid by the City will be advanced from funds of the City and will be reimbursed with proceeds of obligations representing a borrowing by the City for such reimbursements in the maximum principal amount of such Early Termination Payments. The City does not expect any other funds (including the money advanced to pay any Early Termination Payments that are to be reimbursed), to be reserved, allocated on a long-term basis, or otherwise set aside by the City or any other entity, with respect to such Early Termination Payments. Interest on such obligations is expected to be exempt from income taxation under the Internal Revenue Code of 1986, as amended (the "*Code*").

It is hereby acknowledged by the City and the City Council that the payments to be made under the IRSW Agreements function as an offset to payments otherwise payable on the Bonds and any net payments by the City over the amounts otherwise payable on the Bonds is a net cost of the hedging transaction deemed desirable by the City herein. Accordingly, the obligation to make payments to the Counterparty under the IRSW Agreements shall be a general obligation of the City, for which the full faith and credit of the City are irrevocably pledged, and are payable from the levy of the Pledged Taxes made in the Bond Ordinance; *provided, however, that* any

payments from the Pledged Taxes shall be completely subordinated to the current payment of the Bonds payable from such collection of the Pledged Taxes. In each year, on or before the deadline for the filing of an abatement of taxes levied by the City for such year, the City by its City Council may adopt an ordinance abating the Pledged Taxes for such year only upon a finding that sufficient funds of the City will be on hand and available to pay principal of and interest on the Bonds during the period otherwise provided for from such levy and any expected net payments under the IRSW Agreements.

Section 3. Interest Rate Cap Agreements In addition to or as an alternative to Interest Rate Swap Agreements, Interest Rate Cap Agreements may be entered into by the City and if so shall be sought by the City through Sound Capital Management, Inc., as agent, for such agreements in not to exceed the aggregate amounts, providing interest rate caps at not lower than the rates, allocable to the series of the Bonds, and having an up-front cost to the City of not to exceed the amounts, all as follows:

AGGREGATE AMOUNT (\$)	TO SERIES	LOWEST RATE (%)	MAXIMUM COST (\$)
	2002A		
	2002B		

The net payments to be made or received by the City under the Interest Rate Cap Agreements shall be made from and be an obligation of the appropriate general funds of the City or received by such funds. Pursuant to the City’s home rule powers, no prior appropriation is needed for such payments; and the officers of the City are hereby authorized and directed from time to time to make such net payments from the appropriate general funds and from any other lawfully available source as may be necessary. Notwithstanding that no prior appropriation shall be needed for any such net payments, the officers of the City charged with the preparation of all

future budget reports and appropriation ordinances shall include such appropriate line items and other entries making reasonable and adequate provision for the net payments, but such amounts so entered shall not constitute a limit on said net payments. Any obligations of the City under the Interest Rate Cap Agreements shall constitute a lawful corporate expenditure of the City payable from any funds lawfully available for that purpose.

Section 4. Designated Officers. The “*Designated Officers*” of the City shall be either the Mayor or the City Manager acting in concert with the Finance Director. The Designated Officers are hereby authorized, on behalf of the City, to execute and deliver the IRSW Agreements and/or the IRC Agreements substantially in the form of the ISDA Form, with such changes, modifications, omissions, or insertions as the City Attorney shall approve and the Designated Officers shall approve not inconsistent with the provisions of this Ordinance; and the execution of the IRSW Agreements and/or the IRC Agreements by the Designated Officers shall be deemed to be full and complete approval of the City Council of any such change, modification, omission, or insertion. The decision of the Designated Officers to enter into to a particular IRSW Agreement and/or IRC Agreement within the limits delegated by this Ordinance shall be supported by the opinion or report of the City’s Swap Agents (or either of them) that such agreement achieves a reasonable hedge in view of current conditions in the relevant interest rate hedge markets and that the amount and features of such agreement, in view of such market conditions, were more economic or otherwise desirable at such time than other permitted amounts and features. Payment of the fees and expenses of the City’s Swap Agents, as well as the reasonable fees and expenses of counsel in providing advice to the Designated Officers of the validity of the IRSW Agreements and/or IRC Agreements, the effect of the IRSW Agreements and/or IRC Agreements on the Bonds, the relationship of the IRSW Agreements and/or IRC Agreements on the City’s covenants regarding the tax-exempt status of the Bonds under the

Code, are hereby authorized and approved and may be paid, upon advice of such counsel, from the proceeds of the Bonds.

Section 5. Further Approvals. The Designated Officers of the City, and any other officers, employees, or agents of the City, are hereby authorized on behalf of the City to do all acts and things required or provided by the provisions of the IRSW Agreements and/or the IRC Agreements and this Ordinance and any certificates, agreements, consents, warrants, or documents executed and delivered on behalf of the City in connection therewith; to pay all fees and expenses in connection with the IRSW Agreements and/or the IRC Agreements as set forth or to purchase insurance policies in connection with any of the IRSW Agreements and/or the IRC Agreements authorized hereby; and to take any other actions, which they or any of them deem necessary, desirable, or appropriate, including the amendment or supplementing of the Indenture, if deemed necessary, in order to effect any of the transactions contemplated by this Ordinance or the IRSW Agreements and/or the IRC Agreements approved pursuant to this Ordinance.

Section 6. Effect of Invalidity. It is the intention of the City Council that if any section, paragraph, clause, or provision of this Ordinance shall be ruled by any court of competent jurisdiction to be invalid, the invalidity of such section, paragraph, clause, or provision shall not affect any of the remaining provisions hereof.

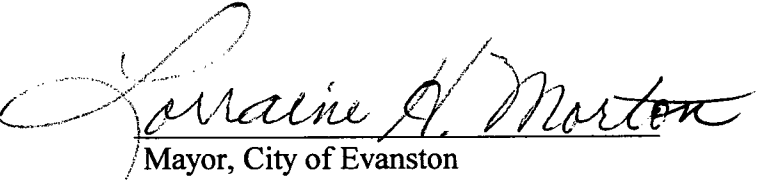
Section 7. *Superceder and Effective Date.* All ordinances, resolutions, and orders, or parts thereof, in conflict herewith are to the extent of such conflict hereby superseded; and this Ordinance shall be in full force and effect immediately upon its passage, approval, and publication.

AYES: Rainey, Feldman, Newman, Jean-Baptiste, Wynne, Bernstein, Kent, Moran, Engelman
NAYS: None

ABSENT: None

ADOPTED: September 23, 2002

APPROVED: September 24th, 2002

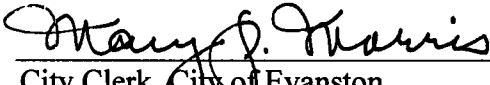


Mayor, City of Evanston
Cook County, Illinois

Recorded In City Records: September 24th, 2002.

Published in pamphlet form by authority of the City Council on September 24th, 2002.

ATTEST:



City Clerk, City of Evanston
Cook County, Illinois

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

CERTIFICATION OF MINUTES AND ORDINANCE

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk of the City of Evanston, Cook 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 City Council (the "*City Council*") thereof.

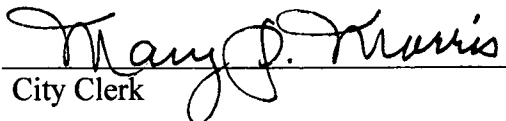
I do further certify that the foregoing is a full, true and complete transcript of that portion of the minutes of the meeting of the City Council held on the 14th day of October 2002 (the "*Meeting*") insofar as the same relates to the adoption of an ordinance, numbered 92-O-02, and entitled:

AN ORDINANCE of the City of Evanston, Cook County, Illinois, in connection with its General Obligation Variable Rate Demand Bonds, Series 2002, authorizing one or more agreements to be made to hedge the interest rate to be paid on all or a portion of said Bonds.

(the "*Ordinance*") a true, correct, and complete copy of which Ordinance as adopted at the Meeting appears in the foregoing transcript of the minutes of the Meeting.

I do further certify that the deliberations of the City Council on the adoption of the Ordinance were taken openly; that the vote on the adoption of the Ordinance was taken openly; that the Meeting was held at a specified time and place convenient to the public; that notice of the Meeting was duly given to all newspapers, radio or television stations, and other news media requesting such notice; that an agenda for the Meeting was posted at the location where the Meeting was held and at the principal office of the City Council (being the same location) at least 48 hours in advance of the holding of the Meeting; and that the Meeting was called and held in strict compliance with the provisions of the Open Meetings Act of the State of Illinois, as amended, and the Illinois Municipal Code, as amended, and that the City Council has complied with all of the provisions of said Act and said Code and with all of the procedural rules of the City Council in the adoption of the Ordinance.

24th IN WITNESS WHEREOF I hereunto affix my official signature and the seal of the City this day of September 2002.



City Clerk

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

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 Evanston, Cook 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 City Council (the "City Council") thereof.

I do further certify that on the 23rd day of September 2002 there was published in pamphlet form, by authority of the City Council, a true, correct, and complete copy of Ordinance Number 92-O-02 of the City entitled:

AN ORDINANCE of the City of Evanston, Cook County, Illinois, in connection with its General Obligation Variable Rate Demand Bonds, Series 2002, authorizing one or more agreements to be made to hedge the interest rate to be paid on all or a portion of said Bonds.

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 24th day of September 2002.

Mary J. Morris
City Clerk

[SEAL]

EXTRACT OF MINUTES of the regular public meeting of the City Council of the City of Evanston, Cook County, Illinois, held at the Civic Center (City Hall), located at 2100 Ridge Avenue, in said City, at _____ p.m., on Monday, the 23rd day of September 2002.

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

Upon the roll being called, the Mayor and the following Aldermen answered present:

The following were absent: _____

Various business was conducted.

The City Council then discussed the ability and advisability of hedging the interest rates payable with respect to the City's General Obligation Variable Rate Demand Bonds, Series 2002, by entering into one or more agreements (commonly called an "interest rate swap" and "interest rate cap" agreements) with qualifying financial institutions as counterparty or counterparties.

Thereupon, Finance Director William Stafford presented the following ordinance:

AN ORDINANCE of the City of Evanston, Cook County, Illinois, in connection with its General Obligation Variable Rate Demand Bonds, Series 2002, authorizing one or more agreements to be made to hedge the interest rate to be paid on all or a portion of said Bonds.

(the "*Rate Hedge Ordinance*").

Alderman _____ moved and Alderman _____
seconded the motion that the Rate Hedge Ordinance as presented be adopted.

A City Council discussion of the matter followed. During the City Council discussion, the Finance Director gave a public recital of the nature of the matter, which included a reading of the title of the Rate Hedge Ordinance and a statement that the ordinance provides authorization for City officers to enter into stated interest rate hedge agreements at the cost indicated therein.

The Mayor directed that the roll be called for a vote upon the motion to adopt the Rate Hedge Ordinance.

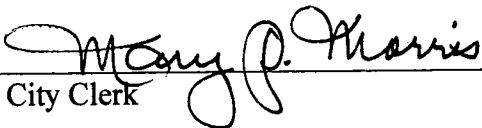
Upon the roll being called, the following Aldermen voted AYE: _____

and the following Aldermen voted NAY: _____

WHEREUPON, the Mayor declared the motion carried and the ordinance adopted and did direct the City Clerk to record the same in full in the records of the City Council of the City of Evanston, Cook County, Illinois.

Other business was duly transacted at said meeting.

Upon motion duly made and carried, the meeting adjourned.



City Clerk

