

Investment Rating:
 Moody's Investors Service ... Aaa
(Assured Guaranty Insured)

 Underlying Rating:
 Moody's Investors Service ... A3

Final Official Statement

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Bonds will be excluded from gross income for Federal income tax purposes except as described under "TAX EXEMPTION" herein. Interest on the Bonds is not exempt from present Illinois income taxes.



\$6,040,000
CITY OF PERU
 LaSalle County, Illinois
Electric System Revenue Refunding Bonds, Series 2008

Dated April 2, 2008 Book-Entry Non-Callable Bank Qualified Due Serially May 1, 2010-2020

The \$6,040,000 Electric System Revenue Refunding Bonds, Series 2008 (the "Bonds") are being issued by the City of Peru, LaSalle County, Illinois (the "City"). Interest is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2008. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on May 1 in the following years and amounts.

AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

| Principal Amount | Due May 1 | Interest Rate | Yield | Principal Amount | Due May 1 | Interest Rate | Yield |
|---------------------|--------------|------------------|--------|---------------------|--------------|------------------|--------|
| \$640,000 | 2010 | 4.000% | 2.800% | \$495,000 | 2016 | 4.250% | 3.650% |
| 665,000 | 2011 | 4.000% | 3.000% | 530,000 | 2017 | 4.250% | 3.750% |
| 700,000 | 2012 | 4.000% | 3.150% | 550,000 | 2018 | 4.250% | 3.800% |
| 380,000 | 2013 | 4.000% | 3.300% | 595,000 | 2019 | 4.250% | 3.900% |
| 415,000 | 2014 | 4.000% | 3.400% | 625,000 | 2020 | 4.250% | 4.000% |
| 445,000 | 2015 | 4.250% | 3.550% | | | | |

OPTIONAL REDEMPTION

The Bonds are **not** subject to optional redemption prior to maturity.

BOND INSURANCE

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP. ("Assured Guaranty"). See **APPENDIX D** herein. **The cost for the bond insurance premium will be paid by the Underwriter.**



PURPOSE, LEGALITY AND SECURITY

Bond proceeds will be used to currently refund the City's outstanding Electric System Revenue Bonds, Series 1998, maturing on or after May 1, 2009, and to pay the costs of issuance of the Bonds. See **"PLAN OF FINANCING"** herein.

In the opinion of Bond Counsel, Katten Muchin Rosenman LLP, Chicago, Illinois, the Bonds will constitute limited obligations of the City payable solely from revenues of the electric system of the City (the "System") and other moneys, securities and funds held under the Bond Ordinance, subject to the withdrawal and application of such moneys, securities and funds in accordance with the provisions of the Bond Ordinance. The Bonds shall not be deemed to constitute general obligations of the City. Neither the full faith and credit nor the general taxing power of the City is pledged to the payment of the principal of or interest on the Bonds. The Bonds are secured on a parity with the City's outstanding Electric System Revenue Bonds, Series 1999 and the unrefunded portion of the City's Electric System Revenue Bonds, Series 1998, and with any additional bonds as may be hereinafter issued.

The City intends to designate the Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, and certain other conditions. It is expected that the Bonds will be made available for delivery on or about April 2, 2008.

Bernardi Securities, Inc.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Final Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading **APPENDIX D - "BOND INSURANCE"** and **"Financial Guaranty Insurance Policy"**.

BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Final Official Statement which is provided for the convenience of potential investors and which should be reviewed in its entirety by potential investors.

| | |
|---|---|
| Issuer: | City of Peru, LaSalle County, Illinois. |
| Issue: | \$6,040,000 Electric System Revenue Refunding Bonds, Series 2008. |
| Dated Date: | April 2, 2008. |
| Interest Due: | Each May 1 and November 1, commencing November 1, 2008. |
| Principal Due: | Serially each May 1, commencing May 1, 2010 through 2020, as detailed on the front page of this Final Official Statement. |
| Optional Redemption: | The Bonds are not subject to optional redemption prior to maturity. |
| Authorization: | The Bonds are authorized and issued pursuant to Section 6 of Article VII of the Illinois Constitution of 1970 and under and in accordance with an ordinance adopted by the City Council of the City on March 22, 1993 and entitled: "Ordinance Authorizing the Issuance of Electric System Revenue Bonds of the City of Peru, Illinois," as supplemented by an ordinance adopted by said City Council on March 3, 2008 and entitled: "Supplemental Ordinance Authorizing the Issuance of Electric System Revenue Refunding Bonds, Series 2008, of the City of Peru, Illinois" (said ordinance of March 22, 1993, as so supplemented, being herein called the "Ordinance"). |
| Security: | The Bonds will constitute limited obligations of the City payable solely from revenues of the electric system of the City (the "System") and other moneys, securities and funds held under the Bond Ordinance, subject to the withdrawal and application of such moneys, securities and funds in accordance with the provisions of the Bond Ordinance. The Bonds shall not be deemed to constitute general obligations of the City. Neither the full faith and credit nor the general taxing power of the City is pledged to the payment of the principal of or interest on the Bonds. The Bonds are secured on a parity with the City's outstanding Electric System Revenue Bonds, Series 1999 and the unrefunded portion of the Electric System Revenue Bonds, Series 1998, and with any additional bonds as may be hereinafter issued. |
| Ratings/Insurance: | Moody's Investors Service has assigned their municipal bond rating of "Aaa", to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal of and interest on the Bonds will be issued by Assured Guaranty. See APPENDIX D herein. The cost for the bond insurance premium and will be paid by the Underwriter. The City's outstanding revenue bond rating is "A3" from Moody's Investors Service. |
| Purpose: | Bond proceeds will be used to currently refund the City's outstanding Electric System Revenue Bonds, Series 1998, maturing on or after May 1, 2009, and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING" herein |
| Tax Exemption: | Katten Muchin Rosenman LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the Bonds as discussed under "TAX EXEMPTION" in this Final Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes. |
| Bank Qualification: | The City intends to designate the Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. |
| Trustee/Paying Agent/Escrow Agent: | The Bank of New York Trust Company, N.A., Chicago, Illinois. |
| Verification Agent: | Dunbar, Breitweiser & Co., LLP, Bloomington, Illinois. |
| Delivery: | The Bonds are expected to be delivered on or about April 2, 2008. |
| Book-Entry Form: | The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See APPENDIX B herein. |
| Denomination: | \$5,000 or integral multiples thereof. |
| Financial Advisor: | Speer Financial, Inc., Chicago, Illinois. |

CITY OF PERU
LaSalle County, Illinois

City Officials

Donald L. Baker
Mayor

Judith A. Heuser
City Clerk

David Bartley
City Treasurer

Don Kowalczyk
*Superintendent of
Public Works*

Electrical Consultants, Ltd.
*Superintendent of
Electric Department*

City Council Members

Robert Ankiewicz
Tony Ferrari
James Mertel

Joseph Mikyska
John O'Beirne

David Potthoff
David Waldorf
Ronald Wren

Schweickert & Ganassin
Corporate Counsel

INTRODUCTION

This Final Official Statement of the City of Peru (the "City"), including the cover and appendices, presents certain information in connection with the issuance by the City of \$6,040,000 aggregate principal amount of its Electric System Revenue Refunding Bonds, Series 2008 (the "Bonds"), being issued to currently refund the City's \$6,085,000 outstanding principal amount of Electric System Revenue Bonds, Series 1998, maturing on or after May 1, 2009, and to pay the costs of issuance of the Bonds. The Bonds are authorized and issued pursuant to Section 6 of Article VII of the Illinois Constitution of 1970 and under and in accordance with an ordinance adopted by the City Council of the City on March 22, 1993 and entitled: "Ordinance Authorizing the Issuance of Electric System Revenue Bonds of the City of Peru, Illinois," as supplemented by an ordinance adopted by said City Council on March 3, 2008 and entitled: "Supplemental Ordinance Authorizing the Issuance of Electric System Revenue Refunding Bonds, Series 2008, of the City of Peru, Illinois" (said ordinance of March 22, 1993, as so supplemented, being herein called the "Ordinance"). See "**PLAN OF FINANCING**" herein. The City is a municipal corporation and a home rule unit of the State of Illinois and the Bonds are issued pursuant to the City's home rule powers.

DESCRIPTION OF THE BONDS

The Bonds will be dated April 2, 2008 and will mature on May 1 and November 1 of each of the years and in the amounts set forth on the cover page of this Final Official Statement. Interest on the Bonds is payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2008.

The Series 2008 Bonds are limited obligations of the City payable solely from the Revenues of the System and the moneys, securities and funds pledged therefore under the Bond Ordinance, subject to withdrawal and application of such moneys, securities and funds in accordance with the provisions of the Bond Ordinance. The Series 2008 Bonds are not general obligations of the City and neither the full faith and credit nor the taxing power of the City is pledged for the payment thereof. See “**SUMMARY STATEMENT**” below.

Principal of and interest on the Bonds will be paid by The Bank of New York Trust Company, N.A., as Trustee under the Bond Ordinance (the “Trustee”) to the Depository Trust Company, New York, New York, or its nominee (“DTC”). DTC will in turn remit principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. For additional information, see “**APPENDIX B – DESCRIBING BOOK-ENTRY ONLY ISSUANCE**”.

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Final Official Statement. See “**APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE**”.

Security

The Series 2008 Bonds, the remaining \$1,190,000 outstanding principal amount of the Series 1998 Bonds, maturing on May 1, 2008 and May 1, 2009, and the \$9,310,000 outstanding principal amount of the Series 1999 Bonds (the latter two series, the “Outstanding Bonds”) that will remain outstanding after the issuance of the Series 2008 Bonds will be equally and ratably secured by the pledge of revenues provided in the Bond Ordinance. The City may hereafter issue Additional Bonds, which will rank on a parity with the Series 2008 Bonds and the Outstanding Bonds.

Rate Covenant

The City has covenanted in the Bond Ordinance to establish, maintain and collect such rates, fees and charges for the use and services of the System as are necessary to provide Revenues sufficient to pay all Operating Expenses and maintain, preserve and keep the System in good Repair, working order and condition; to provide in each Fiscal Year a sum equal to one hundred thirty per centum (130%) of the Debt Service for the Bond Year commencing during such Fiscal Year; to maintain in the Bond Reserve Fund an amount equal to the Bond Reserve Requirement; to provide for the monthly deposits required to be deposited in the Renewal and Replacement Fund; and to provide for any deficits of the City resulting from failure to receive any Service Charges or from any other cause and comply in all respects with the terms and provisions of the Bond Ordinance and pay and discharge all charges or liens payable out of the Revenues when due and enforceable.

Bond Reserve Fund

A Bond Reserve Fund in an amount of money and Reserve Fund Assets equal to the Maximum Annual Debt Service is required to be maintained under the Bond Ordinance. The Bond Reserve Fund will be applied solely for the purpose of paying the principal of and interest on the Bonds and any Parity Bonds, if amounts on deposit in the Bond Service Fund are not sufficient for such purpose. This funding requirement is fully satisfied as of the date of issuance.

Additional Bonds

Under the Bond Ordinance, Additional Bonds may be issued on a parity with the Outstanding Bonds for the financing of improvements to the System, refunding Bonds and for other system purposes. See **APPENDIX C – “Purposes of Additional Bonds”** and **“Issuance of Additional Bonds”**.

OPTIONAL REDEMPTION

The Bonds are **not** subject to optional redemption prior to maturity.

PLAN OF FINANCING

Bond proceeds will be used to fund an irrevocable escrow to currently refund the City’s outstanding Electric System Revenue Bonds, Series 1998, as listed below (the “Refunded Bonds”):

**The Refunded Bonds
 Electric System Revenue Bonds, Series 1998**

| Refunded Maturities | Outstanding Amount | Amount Refunded | Redemption Price | Redemption Date |
|---------------------|--------------------|-----------------|------------------|-----------------|
| 5/1/2008..... | \$ 585,000 | \$ 0 | N/A | N/A |
| 5/1/2009..... | 605,000 | 0 | N/A | N/A |
| 5/1/2010..... | 630,000 | 630,000 | 100.00% | 5/6/2008 |
| 5/1/2011..... | 660,000 | 660,000 | 100.00% | 5/6/2008 |
| 5/1/2012..... | 685,000 | 685,000 | 100.00% | 5/6/2008 |
| 5/1/2013..... | 370,000 | 370,000 | 100.00% | 5/6/2008 |
| 5/1/2014..... | 405,000 | 405,000 | 100.00% | 5/6/2008 |
| 5/1/2015..... | 445,000 | 445,000 | 100.00% | 5/6/2008 |
| 5/1/2016..... | 490,000 | 490,000 | 100.00% | 5/6/2008 |
| 5/1/2017..... | 530,000 | 530,000 | 100.00% | 5/6/2008 |
| 5/1/2018..... | 575,000 | 575,000 | 100.00% | 5/6/2008 |
| 5/1/2019..... | 625,000 | 625,000 | 100.00% | 5/6/2008 |
| 5/1/2020..... | 670,000 | 670,000 | 100.00% | 5/6/2008 |
| Total..... | \$7,275,000 | \$6,085,000 | | |

Bond proceeds will be used to purchase direct full faith and credit obligations of the United States of America (the “Government Securities”), the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the Refunded Bonds as stated above, and (ii) to pay principal the \$6,085,000 redemption price on the Refunded Bonds on May 6, 2008. The remaining bond proceeds will be used to pay the costs of issuing the Bonds.

The Government Securities will be held in an escrow account created pursuant to an escrow agreement (the “Escrow Agreement”) dated as of April 2, 2008, between the City and the Trustee.

The mathematical calculations: (a) of the adequacy of the deposit made pursuant to the Escrow Agreement to provide for the payment of certain interest, principal and call premiums on the Refunded Bonds, and (b) supporting the opinion of Bond Counsel that the interest of the Bonds is excludable from gross income of the owners thereof for federal income tax purposes will be verified by Adam Funk, Independent Certified Public Accountant, Dunbar, Breitweiser & Co., LLP, Bloomington, Illinois, at the time of delivery of the Bonds. All moneys and Government Securities deposited for the payment of Refunded Bonds, including interest thereon, are required to be applied solely and irrevocably to the payment of the Refunded Bonds.

THE CITY

The City is located in LaSalle County, approximately 100 miles southwest of Chicago. The City is adjacent to and immediately west of the City of LaSalle, and approximately 15 miles west of the City of Ottawa, the county seat of LaSalle County. The City is situated immediately south of Interstate 80 and north of the Illinois River.

The 2000 Census reported a City population of 9,835, which represents approximately 9% of LaSalle County's 2000 population of 111,509. The City covers approximately five square miles.

City Government and Services

The City is a home-rule unit of government pursuant to a referendum held on November 3, 1981. The City operates under an aldermanic form of government, with a Mayor and eight aldermen elected for staggered four-year terms at a non-partisan election. The City Council has jurisdiction within the City limits. Serving under appointment by the Mayor are the Corporation Counsel, Electric Superintendent, Superintendent of Public Works, Fire Marshall, and the Chief of Police. Total City employment is approximately 75 full-time, 26 permanent part-time and 44 seasonal employees.

Police protection is provided by the City Police Department, which consists of 7 uniformed officers and 13 patrolmen. The Fire Department consists of a Fire Chief and 4 salaried chauffeurs who support a 19-person volunteer fire department, the Liberty Fire Company created in 1872. Ambulance service is available through the Peru Volunteer Ambulance Service, Inc., which is an Illinois not-for-profit corporation. The City's fire insurance rating is 5.

The City owns and operates its water treatment and distribution system. The water system is supplied by 4 deep wells, and provides 3 million gallons daily (MGD) consumption and has a capacity for 5.04 MGD.

The City also owns an electric distribution system, which purchases power through a long-term contract with the Illinois Municipal Electric Agency ("IMEA"). The City has the capability to generate its own electricity to meet peak demands and emergency needs.

Transportation

Interstate 80 is the primary east-west highway serving the City. Interstate 39 is the major north-south highway, connecting with Interstate 80 in adjacent LaSalle. Interstate 39 connects with both Interstate 55 and Interstate 74 approximately 60 miles south in Bloomington, Illinois.

Rail service is provided by the Burlington Northern and the CSX Transportation Railroads. The City owns the Illinois Valley Regional Airport, located just north of the City, which houses over 40 charter, personal and corporate planes. In 1991 the City increased the size of the airport runway from 4,000 to 6,000 feet in length, and from 75 feet wide to 100 feet, using Federal and state grants. Barge transportation is available along the Illinois River, which forms a large part of the City's southern boundary.

Community Life

Park and recreational services are provided by the City, which operates 11 City parks totaling 144 acres. Recreational services include baseball and other league sports, swimming facilities, and a public boat dock. The City is located along the western end of a 120-mile long area tracing the Illinois and Michigan Canal, which was designated by Congress in 1984 as part of the United States Heritage Corridor.

Illinois Valley Community Hospital (the "Hospital") is located in the City, and provides health care and emergency services for a radius of 60 miles. The Hospital has a 100-bed capacity and employs approximately 600 people, with a medical staff of about 130 employees. Some of the services provided by the Hospital for City residents include: home health care, hospice, adult day care and regional private duty service. City residents also use St. Margaret's Hospital in nearby Spring Valley.

Education

The principal schools serving the City are LaSalle-Peru High School District No. 120 and elementary School District No. 124.

Vocational education is available through Illinois Valley Community College District Number 513, located approximately five miles south of the City in nearby Oglesby. Among the College's courses are various advanced technology programs including courses in metallurgy, robotics, CAD/CAM, micro-processor controls and data processing.

Within commuting distance of the City are higher education facilities including Northern Illinois University in DeKalb, 50 miles north, Illinois State University and Wesleyan in Bloomington/Normal, 60 miles south, and Bradley University in Peoria, 60 miles southwest.

THE ELECTRIC SYSTEM

History and Organization

The System has been continuously owned and operated by the City since 1891. Prior to entering into a June 1, 1986 sole Power Purchase Contract with IMEA, the City had purchased wholesale power from Illinois Power Company and had also utilized its three major generating facilities to provide the power and energy resources to meet the City's electric requirements. In its Power Purchase Contract with IMEA, the City has placed its generating power on stand-by dispatch and now purchases its energy requirements from IMEA at a lower cost than had been available by generating its own power. The length of the Power Purchase Contract with IMEA is 35 years.

Service Area

The System has a service area of approximately five square miles comprising all of the major corporate limits of the City except for certain remote farm land. The City serves customers located in the City. The 2000 U.S. Census reported a City population of 9,835.

Electric System

Oversight and supervision of the System is governed by a three member Electric System Committee, whose Chairman also serves as an Alderman to the City, and whose other members must also serve as members of the City Council. Elected terms to the City Council are a period of four years. Appointments to the Electric System Committee are made by the Mayor and terms are concurrent with the City Council election cycle.

Management

The System operates as a separate division of the City with oversight by the Mayor and City Council. The System employs a total of 20 people, including the superintendent, 13 operating personnel, an office manager, 1 billing clerks, 1 meter reader, 3 part-time maintenance; plus 3 or more seasonal employees.

Insurance Coverage

Pursuant to the Bond Ordinance, the City has agreed to carry with respect to the System, so long as such insurance is available, "all-risk" insurance, use and occupancy insurance, and breakdown and burnout insurance to the extent described in the Bond Ordinance. The City has also agreed to carry with respect to the System public liability insurance and other types of insurance as usually carried by municipal corporations operating similar properties.

Labor Relations

The City and the System maintain good working relationships with its clerical, professional, craft and administrative employees. Except for the Police Department, the City's labor force is comprised of non-union employees. There have never been any labor strikes or employee walk-outs.

Pension Plans

All full-time employees of the City, including its electric system staff, participate in the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employee retirement system that acts as a common and administrative agent for local governments and school districts in Illinois. Participating members are required to contribute 8.28% of their annual salary to IMRF and the City is required to contribute the remaining amounts necessary to fund the Pension Plan. City pension benefits vest after eight years of municipal service. No unfunded pension obligation applicable to the City's employees existed at December 31, 2007.

Billing and Collections

Bills for electric service are sent to all customers on a monthly basis based upon metered consumption at unit rates established by ordinance. Electric bills are mailed at weekly intervals to facilitate a steady receipt of electric revenues. Revenues are recognized when billed and no accrual is made for revenue to be derived from service rendered but not billed by month end.

There are 5,647 metered accounts in the System, and approximately 75% of the metered accounts submit electric service payments within 30 days, and an additional estimated 24% of users submit payment within 60 days. Those who do not conform to the 60 day billing cycle are subject to disconnection of electric service in 45 days. The System requires a deposit of \$250 for residential rental customers and an amount equal to three months of estimated service for retail and commercial customers.

Budget

The budget for the System is developed by its staff and finalized by the Electric System Superintendent, subject to the approval by the Mayor, Electric System Committee and City Council. The System budget includes operating and capital expenditures.

General System Information

The System, serves approximately 5,650 residential and commercial accounts in an approximate five square mile area. For the calendar year ended December 31, 2007, commercial customers purchased 97% of the total kilowatt hours purchased and provided 75% of the total System Revenues. The City's minimum demand requirement is estimated at 11 megawatts and its maximum peak demand is estimated at 51 megawatts. The System purchases power through a long term Power Purchase contract with the IMEA that expires in 2025, and in turn distributes IMEA-purchased power to its City customers. The City has the capability to generate most of its own electricity to meet peak demands and emergency needs. All of its energy generating resources, with the exception of the Starved Rock Hydroelectric Plant, are dedicated on stand-by basis to IMEA. The power generating facilities owned and operated by the System are listed below.

Starved Rock Hydroelectric Plant

The Starved Rock Hydroelectric Plant is located at the Starved Rock Lock and Dam in central Illinois on the Illinois River, approximately 90 miles southwest of the City of Chicago and approximately six miles east of the City. The Lock and Dam was constructed by the U.S. Army Corps of Engineers in the 1920's to provide a navigable pool in the Illinois River, and at the time of construction it was designed for the future development of a hydroelectric generating facility. The Starved Rock Lock and Dam is owned and operated by the U.S. Army Corps of Engineers.

The Starved Rock Hydroelectric Plant consists of a hydroelectric power plant with four 1,900 kilowatt turbines and approximately 9 miles of transmission lines from the Plant to a point of interconnection with the transmission and distribution facilities of the City. Operation of the Plant is by remote control at the headquarters of the System, with on-site maintenance as needed. The average annual energy generation is 3,421,475 kilowatt hours.

Other Power Generation Facilities

| <u>Generator Type</u> | <u>Fuel Used</u> | <u>Installation</u> | <u>Upgrade</u> | <u>Type of Use</u> | <u>Nameplate Rating</u> |
|-----------------------|------------------|---------------------|----------------|--------------------|-------------------------|
| Gas Jet Turbine | Oil | 1968 | 1992 | Peak and Emergency | 10 MW |
| Diesel Plant | Oil | 1972 | 1990 | Peak and Emergency | 6.25MW |

All of the City's power generating facilities are in good operating order and are tested on a regular basis by the IMEA.

Illinois Municipal Electric Agency

All of the System's generating capacity, except for the Hydroelectric Plant, is dedicated to the IMEA. The System's three generating facilities are maintained in operable condition and staffed by the City for operations when dispatched by IMEA under a Capacity Purchase Agreement between the City and IMEA. The City is currently paid a generation credit fee of \$3.20 per kilowatt hour per month for its diesel and gas turbines for its available generating capacity dedicated to IMEA.

The IMEA is a joint municipal electric power agency and a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. IMEA, which was created in 1984 pursuant to an Agency Agreement among its initial member municipalities, including the City, is comprised of 31 active member municipalities in the State of Illinois, each of which owns and operates an electric utility.

Large Users

Ten Largest Electric System Customers(1)(2)

| Customer | Revenues | Kilowatt Hours Purchased |
|-------------------------------|---------------------|-----------------------------|
| James Hardie..... | \$ 3,691,424 | 74,158,000 |
| Unytite..... | 600,630 | 12,056,625 |
| Eakas Corporation..... | 596,938 | 11,985,000 |
| IVCH..... | 384,492 | 5,248,965 |
| Pretium Packaging..... | 296,128 | 5,944,500 |
| HyVee..... | 290,647 | 3,961,800 |
| Menards..... | 264,806 | 3,609,500 |
| O'Neal Steel..... | 264,151 | 3,453,397 |
| American Nickeloid..... | 258,663 | 5,193,825 |
| United Steel Deck..... | 147,276 | 2,955,750 |
| Total Top Ten Commercial..... | <u>\$ 6,795,155</u> | 128,567,362 |
| Total Commercial Usage | \$12,989,579 | 212,310,194 |
| Total Residential usage..... | <u>2,814,490</u> | <u>38,210,481</u> |
| Total Electrical Usage..... | <u>\$15,804,069</u> | <u>250,520,675</u> |

Notes: (1) City of Peru.
(2) Based on calendar year ending December 31, 2006.

Users and Usage

Number of Accounts(1)

| Ending April 30 | Residential | Commercial | Total |
|-----------------|-------------|------------|-------|
| 1998..... | 4,399 | 755 | 5,154 |
| 1999..... | 4,411 | 768 | 5,179 |
| 2000..... | 4,450 | 760 | 5,210 |
| 2001..... | 4,493 | 813 | 5,306 |
| 2002..... | 4,520 | 820 | 5,340 |
| 2003..... | 4,550 | 825 | 5,375 |
| 2004..... | 4,532 | 807 | 5,339 |
| 2005..... | 4,655 | 836 | 5,491 |
| 2006..... | 4,663 | 850 | 5,513 |
| 2007..... | 4,680 | 869 | 5,549 |

Note: (1) Source: the City.

Historic Annual Power and Energy Requirements(1)

| <u>Ending April 30</u> | <u>Total Sales Historic KWH</u> | <u>Peak Demand Historic KW</u> |
|------------------------|-------------------------------------|------------------------------------|
| 1998 | 135,565,287 | 31,999 |
| 1999 | 150,082,877 | 31,224 |
| 2000 | 152,853,293 | 34,402 |
| 2001 | 171,378,859 | 31,583 |
| 2002 | 184,934,989 | 34,377 |
| 2003 | 195,583,416 | 34,277 |
| 2004 | 211,698,246 | 49,319 |
| 2005 | 221,300,942 | 33,547 |
| 2006 | 252,799,227 | 37,590 |
| 2007 | 239,962,689 | 44,044 |

Note: (1) Source: the City.

Electric System Rate Schedule

| | |
|------------------------|----------------------------------|
| Residential Customers: | First 100 kWh = \$0.0974 per kWh |
| | Next 500 kWh = \$0.0654 per kWh |
| | Next 700 kWh = \$0.0634 per kWh |
| | Next 1300 kWh = \$0.0584 per kWh |
| Commercial Customers: | First 100 kWh = \$0.1194 per kWh |
| | Next 1300 kWh = \$0.0794 per kWh |
| | Next 1600 kWh = \$0.0754 per kWh |
| | Next 3000 kWh = \$0.0684 per kWh |
| Economic Development: | \$0.0502 per kWh |

Billing and Collecting

Bills are rendered every thirty days, and are due when rendered. The City follows the practice of discontinuing electric service for non-payment and there is a reconnection fee.

ELECTRIC SYSTEM DEBT INFORMATION

After issuance of the Bonds and the refunding of the City's outstanding Electric System Revenue Bonds, Series 1998, maturing on or after May 1, 2009, the City will have outstanding \$16,540,000 principal amount of electric revenue bonds.

Electric Revenue Bonded Debt(1) (Principal Only)

| Calendar Year | Series 1998 | Series 1999 | Total Outstanding | The | Less: | Total | Cumulative Retirement | |
|---------------|-------------|-------------|-------------------|-------------|----------------------------|--------------|-----------------------|---------|
| | Bonds | Bonds | Bonds | Bonds | Refunded Bonds Series 1998 | Debt | Amount | Percent |
| 2008 | \$ 585,000 | \$ 50,000 | \$ 635,000 | \$ 0 | \$ 0 | \$ 635,000 | \$ 635,000 | 3.84% |
| 2009 | 605,000 | 55,000 | 660,000 | 0 | 0 | 660,000 | 1,295,000 | 7.83% |
| 2010 | 630,000 | 55,000 | 685,000 | 640,000 | (630,000) | 695,000 | 1,990,000 | 12.03% |
| 2011 | 660,000 | 60,000 | 720,000 | 665,000 | (660,000) | 725,000 | 2,715,000 | 16.41% |
| 2012 | 685,000 | 60,000 | 745,000 | 700,000 | (685,000) | 760,000 | 3,475,000 | 21.01% |
| 2013 | 370,000 | 410,000 | 780,000 | 380,000 | (370,000) | 790,000 | 4,265,000 | 25.79% |
| 2014 | 405,000 | 410,000 | 815,000 | 415,000 | (405,000) | 825,000 | 5,090,000 | 30.77% |
| 2015 | 445,000 | 405,000 | 850,000 | 445,000 | (445,000) | 850,000 | 5,940,000 | 35.91% |
| 2016 | 490,000 | 405,000 | 895,000 | 495,000 | (490,000) | 900,000 | 6,840,000 | 41.35% |
| 2017 | 530,000 | 405,000 | 935,000 | 530,000 | (530,000) | 935,000 | 7,775,000 | 47.01% |
| 2018 | 575,000 | 405,000 | 980,000 | 550,000 | (575,000) | 955,000 | 8,730,000 | 52.78% |
| 2019 | 625,000 | 400,000 | 1,025,000 | 595,000 | (625,000) | 995,000 | 9,725,000 | 58.80% |
| 2020 | 670,000 | 310,000 | 980,000 | 625,000 | (670,000) | 935,000 | 10,660,000 | 64.45% |
| 2021 | 0 | 1,060,000 | 1,060,000 | 0 | 0 | 1,060,000 | 11,720,000 | 70.86% |
| 2022 | 0 | 1,115,000 | 1,115,000 | 0 | 0 | 1,115,000 | 12,835,000 | 77.60% |
| 2023 | 0 | 1,175,000 | 1,175,000 | 0 | 0 | 1,175,000 | 14,010,000 | 84.70% |
| 2024 | 0 | 1,235,000 | 1,235,000 | 0 | 0 | 1,235,000 | 15,245,000 | 92.17% |
| 2025 | 0 | 1,295,000 | 1,295,000 | 0 | 0 | 1,295,000 | 16,540,000 | 100.00% |
| Total | \$7,275,000 | \$9,310,000 | \$16,585,000 | \$6,040,000 | \$(6,085,000) | \$16,540,000 | | |

Note: (1) Source: the City.

Earnings of Electric System(1)

| | Fiscal Years Ending April 30 | | | | |
|---|------------------------------|-------------|-------------|-------------|-------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Operating Income..... | \$1,742,994 | \$2,521,104 | \$2,324,606 | \$2,322,435 | \$2,404,184 |
| Add Interest Income..... | 166,486 | 60,061 | 90,077 | 141,160 | 171,414 |
| Revenue Available for Debt Service..... | \$1,909,480 | \$2,581,165 | \$2,414,683 | \$2,463,595 | \$2,575,598 |

Note: (1) Source: the City.

**Projected Debt Service Coverage Table
 Electric Revenue Bonds**

| Calendar Year | Net Revenue Available for Debt Service(1) | Series 1998 | Series 1999 | The Bonds | Less: Bonds Proposed to be Refunded | Total Electric Revenue Debt Service | Debt Service Coverage | Mandatory Coverage(2) |
|---------------|---|--------------------|---------------------|--------------------|-------------------------------------|-------------------------------------|-----------------------|-----------------------|
| 2008 | \$2,575,598 | \$ 922,423 | \$ 508,410 | \$ 0 | \$ 0 | \$ 1,430,833 | 1.80 | \$1,860,082 |
| 2009 | 2,575,598 | 917,853 | 511,310 | 269,815 | 0 | 1,698,977 | 1.52 | 2,208,670 |
| 2010 | 2,575,598 | 916,838 | 508,808 | 889,700 | (916,838) | 1,398,508 | 1.84 | 1,818,060 |
| 2011 | 2,575,598 | 919,118 | 511,305 | 889,100 | (919,118) | 1,400,405 | 1.84 | 1,820,527 |
| 2012 | 2,575,598 | 914,748 | 508,575 | 897,500 | (914,748) | 1,406,075 | 1.83 | 1,827,898 |
| 2013 | 2,575,598 | 568,580 | 855,845 | 549,500 | (568,580) | 1,405,345 | 1.83 | 1,826,949 |
| 2014 | 2,575,598 | 586,560 | 836,780 | 569,300 | (586,560) | 1,406,080 | 1.83 | 1,827,904 |
| 2015 | 2,575,598 | 607,525 | 812,715 | 582,700 | (607,525) | 1,395,415 | 1.85 | 1,814,040 |
| 2016 | 2,575,598 | 631,610 | 793,478 | 613,788 | (631,610) | 1,407,265 | 1.83 | 1,829,445 |
| 2017 | 2,575,598 | 647,600 | 774,240 | 627,750 | (647,600) | 1,401,990 | 1.84 | 1,822,587 |
| 2018 | 2,575,598 | 666,630 | 754,193 | 625,225 | (666,630) | 1,379,418 | 1.87 | 1,793,243 |
| 2019 | 2,575,598 | 688,455 | 729,145 | 646,850 | (688,455) | 1,375,995 | 1.87 | 1,788,794 |
| 2020 | 2,575,598 | 702,830 | 619,345 | 651,563 | (702,830) | 1,270,908 | 2.03 | 1,652,180 |
| 2021 | 2,575,598 | 0 | 1,354,000 | 0 | 0 | 1,354,000 | 1.90 | 1,760,200 |
| 2022 | 2,575,598 | 0 | 1,356,000 | 0 | 0 | 1,356,000 | 1.90 | 1,762,800 |
| 2023 | 2,575,598 | 0 | 1,360,250 | 0 | 0 | 1,360,250 | 1.89 | 1,768,325 |
| 2024 | 2,575,598 | 0 | 1,361,500 | 0 | 0 | 1,361,500 | 1.89 | 1,769,950 |
| 2025 | 2,575,598 | 0 | 1,359,750 | 0 | 0 | 1,359,750 | 1.89 | 1,767,675 |
| Total | | <u>\$9,690,768</u> | <u>\$15,515,648</u> | <u>\$7,812,790</u> | <u>\$(7,850,493)</u> | <u>\$25,168,712</u> | | |

Notes: (1) Based on the City's 2007 fiscal year report.
 (2) Coverage pledge is 130% debt service.

ELECTRIC SYSTEM FINANCIAL INFORMATION

Financial Overview

The City's financial statements are audited annually by certified public accountants. The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, equity, revenues and expenditures or expenses, as appropriate. The various funds are summarized by type in the combined financial statements. The financial statements for the Governmental Fund Types and Expendable Trust Funds reflect the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues which are material, measurable and available are recorded on the accrual method and other revenues are recorded when collected. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related liability is incurred.

The financial statements for the Proprietary and Pension Trust Funds reflect the accrual basis of accounting. See **APPENDIX A** for more detail.

Summary Financial Information

The City's financial statements are audited annually by certified public accountants. The City's financial statements are completed on a modified accrual basis of accounting but which are not in conformity with accounting principles generally accepted in the United States of America due to the omission of government-wide financial statements. See **APPENDIX A** for more detail.

**Electric Light Fund(1)
 Balance Sheet**

| | Audited as of April 30 | | | | |
|---|------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | \$ 2,303,129 | \$3,016,772 | \$3,300,469 | \$3,057,829 | \$2,377,964 |
| Accounts Receivable | 181,959 | 242,112 | 229,628 | 264,783 | 187,626 |
| Due from Other Funds | 5,083 | 0 | 0 | 0 | 328,279 |
| Inventory | 63,160 | 65,018 | 91,474 | 112,960 | 127,518 |
| Total Current Assets | <u>\$ 2,553,331</u> | <u>\$3,323,902</u> | <u>\$3,621,571</u> | <u>\$3,435,572</u> | <u>\$3,021,387</u> |
| Restricted Assets: | | | | | |
| Cash and Cash Equivalents | \$ 3,254,346 | \$3,238,362 | \$3,280,950 | \$3,364,574 | \$3,504,284 |
| Accrued Interest | 10,702 | 10,702 | 10,702 | 10,702 | 10,702 |
| Total Restricted Assets | <u>\$ 3,265,048</u> | <u>\$3,249,064</u> | <u>\$3,291,652</u> | <u>\$3,375,276</u> | <u>\$3,514,986</u> |
| Fixed Assets: | | | | | |
| Property and Equipment | \$20,259,270 | \$21,190,851 | \$22,323,317 | \$23,949,992 | \$25,775,556 |
| Hydroelectric Plant | 19,240,017 | 18,800,900 | 18,380,654 | 17,934,218 | 17,487,782 |
| Total Fixed Assets | <u>\$39,499,287</u> | <u>\$39,991,751</u> | <u>\$40,703,971</u> | <u>\$41,884,210</u> | <u>\$43,263,338</u> |
| Other Assets: | | | | | |
| Accounts Receivable - Other Funds | \$ 298,621 | \$ 268,621 | \$ 235,621 | \$ 205,621 | \$ 174,621 |
| Other Receivables | 0 | 0 | 33,370 | 54,652 | 49,302 |
| Unamortized Bond Discount/Cost | 357,988 | 334,783 | 316,782 | 298,780 | 280,779 |
| Total Other Assets | <u>\$ 656,609</u> | <u>\$ 603,404</u> | <u>\$ 585,773</u> | <u>\$ 559,053</u> | <u>\$ 504,702</u> |
| Total Assets | <u>\$45,974,275</u> | <u>\$47,168,121</u> | <u>\$48,202,967</u> | <u>\$49,254,111</u> | <u>\$50,304,413</u> |
| LIABILITIES AND FUND EQUITY: | | | | | |
| Liabilities: | | | | | |
| Current Liabilities (from Current Assets) | | | | | |
| Accounts Payable and Accrued Expenses | \$ 693,932 | \$ 765,868 | \$ 1,034,811 | \$ 973,176 | \$ 842,491 |
| Compensated Absences Payable | 21,733 | 21,733 | 36,101 | 45,496 | 53,849 |
| Long-term Debt - Current Portion | 94,065 | 98,681 | 0 | 0 | 0 |
| Due to Other Funds | 0 | 7,872 | 9,235 | 9,628 | 10,118 |
| Total Current Liabilities (from Current Assets) | <u>\$ 809,730</u> | <u>\$ 894,154</u> | <u>\$ 1,080,147</u> | <u>\$ 1,028,300</u> | <u>\$ 906,458</u> |
| Current Liabilities (from Restricted Assets): | | | | | |
| Deposits | \$ 217,447 | \$ 222,473 | \$ 239,183 | \$ 247,866 | \$ 286,419 |
| Accrued Bond Interest Payable | 456,729 | 443,710 | 433,294 | 422,091 | 410,446 |
| Long-term Debt - Current Portion | 510,000 | 545,000 | 560,000 | 580,000 | 610,000 |
| Total Current Liabilities (from Restricted Assets) | <u>\$ 1,184,176</u> | <u>\$ 1,211,183</u> | <u>\$ 1,232,477</u> | <u>\$ 1,249,957</u> | <u>\$ 1,306,865</u> |
| Other Liabilities | | | | | |
| General Obligation Debt | \$ 338,785 | \$ 240,104 | \$ 0 | \$ 0 | \$ 0 |
| Revenue Bonds Payable | 18,880,000 | 18,335,000 | 17,775,000 | 17,195,000 | 16,585,000 |
| Deferred Cost of Bond Refunding | (1,088,217) | (1,032,027) | (975,837) | (919,648) | (863,458) |
| Total Other Liabilities | <u>\$18,130,568</u> | <u>\$17,543,077</u> | <u>\$16,799,163</u> | <u>\$16,275,352</u> | <u>\$15,721,542</u> |
| Total Liabilities | <u>\$20,124,474</u> | <u>\$19,648,414</u> | <u>\$19,111,787</u> | <u>\$18,553,609</u> | <u>\$17,934,865</u> |
| Fund Equity: | | | | | |
| Contributed Capital | \$ 1,198,050 | \$ 1,198,050 | \$ 1,198,050 | \$ 1,198,050 | \$ 1,198,050 |
| Retained Earnings, Restricted for Debt Service and Deposits | 2,080,873 | 2,037,881 | 2,155,033 | 2,242,665 | 2,339,978 |
| Retained Earnings, Unrestricted | 22,570,878 | 24,283,776 | 25,738,097 | 27,259,787 | 28,831,520 |
| Total Fund Equity | <u>\$25,849,801</u> | <u>\$27,519,707</u> | <u>\$29,091,180</u> | <u>\$30,700,502</u> | <u>\$32,369,548</u> |
| Total Liabilities and Fund Equity | <u>\$45,974,275</u> | <u>\$47,168,121</u> | <u>\$48,202,967</u> | <u>\$49,254,111</u> | <u>\$50,304,413</u> |

**Electric Light Fund(1)
 Revenues and Expenditures**

| | Fiscal Year Ending April 30 | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| OPERATING REVENUES: | | | | | |
| Sales: | | | | | |
| Electric Sales, Commercial | \$ 9,344,533 | \$10,555,452 | \$11,021,542 | \$12,602,363 | \$12,390,052 |
| Electric Sales, Residential | 2,533,818 | 2,521,654 | 2,507,214 | 2,923,760 | 2,832,454 |
| Total Sales | <u>\$11,878,351</u> | <u>\$13,077,106</u> | <u>\$13,528,756</u> | <u>\$15,526,123</u> | <u>\$15,222,506</u> |
| Other Operating Revenues: | | | | | |
| Penalties | \$ 54,578 | \$ 63,845 | \$ 46,342 | \$ 45,257 | \$ 72,224 |
| Miscellaneous | 137,632 | 146,153 | 160,113 | 139,090 | 82,758 |
| Total Other Operating Revenues | <u>\$ 192,210</u> | <u>\$ 209,998</u> | <u>\$ 206,455</u> | <u>\$ 184,347</u> | <u>\$ 154,982</u> |
| Total Operating Revenues | <u>\$12,070,561</u> | <u>\$13,287,104</u> | <u>\$13,735,211</u> | <u>\$15,710,470</u> | <u>\$15,377,488</u> |
| OPERATING EXPENSES: | | | | | |
| General and Administrative | \$ 859,399 | \$ 810,935 | \$ 842,026 | \$ 812,551 | \$ 934,601 |
| Power and Generating Plant: | | | | | |
| Electricity Purchased | 7,415,597 | 7,836,557 | 8,274,446 | 10,158,788 | 9,502,067 |
| Salaries | 261,893 | 265,969 | 298,659 | 324,950 | 322,529 |
| Other | 334,465 | 326,899 | 458,868 | 533,916 | 450,041 |
| Total General and Power and Generating Plant | <u>\$ 8,871,354</u> | <u>\$ 9,240,360</u> | <u>\$ 9,873,999</u> | <u>\$11,830,205</u> | <u>\$11,209,238</u> |
| Distribution System | \$ 484,232 | \$ 637,788 | \$ 654,605 | \$ 680,972 | \$ 740,171 |
| Hydroelectric Plant | 770,990 | 674,429 | 665,803 | 626,585 | 773,137 |
| Street Lighting | 7,651 | 4,057 | 6,591 | 7,828 | 2,620 |
| Truck Expense | 47,816 | 45,259 | 43,298 | 64,486 | 67,746 |
| Accounting and Collection | 145,524 | 164,107 | 166,309 | 177,959 | 180,392 |
| Total Operating Expenses | <u>\$10,327,567</u> | <u>\$10,766,000</u> | <u>\$11,410,605</u> | <u>\$13,388,035</u> | <u>\$12,973,304</u> |
| Operating Income | \$ 1,742,994 | \$ 2,521,104 | \$ 2,324,606 | \$ 2,322,435 | \$ 2,404,184 |
| NON OPERATING REVENUES (EXPENSES): | | | | | |
| Investment Income | \$ 166,486 | \$ 60,061 | \$ 90,077 | \$ 141,160 | \$ 171,414 |
| Gain (Loss) on Sale of Investments | (46,226) | 0 | 0 | 0 | 0 |
| Federal and State Grants | 0 | 0 | 21,315 | 0 | 0 |
| Rental Income, Net of Depreciation | 10,412 | 21,744 | 35,291 | 40,565 | 44,546 |
| User Fees | 40,150 | 46,900 | 47,050 | 12,950 | 25,350 |
| Gain (Loss) on Sale of Investment | | | | | |
| Property/Equipment | 14,282 | 6,215 | 7,464 | 10,500 | 1,220 |
| Fiscal Agent Fees | (9,762) | (1,236) | (591) | 0 | 0 |
| Interest Expense | (985,932) | (961,677) | (935,739) | (900,286) | (877,083) |
| Amortization of Bond Discount | (23,205) | (23,205) | (18,001) | (18,001) | (18,001) |
| Total Nonoperating Revenues | <u>\$ (833,795)</u> | <u>\$ (851,198)</u> | <u>\$ (753,134)</u> | <u>\$ (713,112)</u> | <u>\$ (652,554)</u> |
| Net Income | \$ 909,199 | \$ 1,669,906 | \$ 1,571,472 | \$ 1,609,323 | \$ 1,751,630 |

Note: (1) Source: Audited City Financial Statements.

Electric Light Fund Budget Financial Information

| | Budget Twelve Months Ending 4/30/2008 | Interim Seven Months Ending 12/31/07 |
|---|--|---|
| OPERATING REVENUES: | | |
| Sales: | | |
| Electric Sales, Commercial..... | \$12,000,000 | \$ 8,618,863 |
| Electric Sales, Residential..... | <u>3,000,000</u> | <u>2,120,495</u> |
| Total Sales..... | \$15,000,000 | \$10,739,358 |
| Other Operating Revenues: | | |
| Penalties..... | \$ 70,000 | \$ 51,592 |
| Miscellaneous..... | <u>473,000</u> | <u>455,647</u> |
| Total Other Operating Revenues..... | <u>\$ 543,000</u> | <u>\$ 507,239</u> |
| Total Operating Revenues..... | \$15,543,000 | \$11,246,597 |
| OPERATING EXPENSES: | | |
| General and Administrative..... | \$ 1,758,000 | \$ 1,131,371 |
| Power and Generating Plant: | | |
| Electricity Purchased..... | 10,500,000 | 8,028,460 |
| Salaries..... | 350,000 | 217,479 |
| Other..... | <u>631,000</u> | <u>132,683</u> |
| Total General and Power and Generating Plant..... | <u>\$11,481,000</u> | <u>\$8,378,622</u> |
| Distribution System..... | 809,000 | 527,960 |
| Hydroelectric Plant..... | 701,500 | 204,996 |
| Street Lighting..... | 10,000 | 2,234 |
| Truck Expense..... | 90,500 | 33,680 |
| Accounting and Collection..... | <u>203,000</u> | <u>132,422</u> |
| Total Operating Expenses..... | \$15,053,000 | \$10,411,285 |
| Operating Income..... | \$ 490,000 | \$ 835,312 |
| NON OPERATING REVENUES (EXPENSES): | | |
| Investment Income..... | \$ 120,000 | \$ 135,127 |
| Gain (Loss) on Sale of Investments..... | 0 | 0 |
| Federal and State Grants..... | 0 | 0 |
| Rental Income, Net of Depreciation..... | 41,000 | 33,057 |
| User Fees..... | 10,000 | 22,100 |
| Gain (Loss) on Sale of Investment Property/Equipment..... | 1,000 | 12,872 |
| Fiscal Agent Fees..... | (500) | 0 |
| Interest Expense..... | (900,000) | (808,362) |
| Amortization of Bond Discount..... | <u>(80,000)</u> | <u>0</u> |
| Total Nonoperating Revenues..... | \$ (808,500) | \$ (605,206) |
| Net Income..... | \$ (318,500) | \$ 230,106 |

PENSION AND RETIREMENT OBLIGATIONS

See APPENDIX A herein.

REGISTRATION, TRANSFER AND EXCHANGE

Registration

The registered owner of a Bond will be deemed and regarded as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal of, premium, if any, or interest thereon and for all other purposes whatsoever, and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor the Trustee will be affected by any notice to the contrary.

Transfers and Exchanges

The transfer of Bonds will be registrable only upon the registration books maintained by the City for that purpose at the principal corporate trust office of the Trustee, by the registered owner thereof or by his attorney duly authorized in writing, upon surrender thereof together with an instrument of transfer satisfactory to the Trustee and duly executed by the registered owner or his duly authorized agent. Upon such surrender for registration of transfer, the City will execute and the Trustee will authenticate and deliver a new Bond or Bonds of any authorized denominations, registered in the name of the transferee, and of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate and of any authorized denominations, upon surrender thereof as the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized agent.

For every such exchange or registration of transfer of Bonds, the City or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. No charge will be made in connection with such exchange or registration of transfer to pay the cost of preparing each new Bond issued upon such exchange or registration of transfer.

TAX EXEMPTION

Summary of Bond Counsel Opinion

Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Bonds is not includible in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel is of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Bond Counsel is further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includible in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for tax purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from State of Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of property financed with the proceeds of the Bonds. The City has covenanted in the Bond Ordinance to comply with these requirements.

Bonds Purchased at a Premium or a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Bonds is sold to the public (the “Offering Price”) and the principal amount payable at maturity of such Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Bond, the difference between the two is known as “bond premium”; if the Offering Price is lower than the maturity value of a Bond, the difference between the two is known as “original issue discount”.

Bond premium and original issue discount are amortized over the term of a Bond on the basis of the owner’s yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period and is subtracted from the owner’s tax basis in the Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Bond for Federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner’s tax basis in the Bond. A Bond’s adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon disposition of the Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Bond).

Owners of Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a year later.

Exclusion From Gross Income Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Bonds proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain “temporary periods,” proceeds of the Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of “minor portion”) may generally not be invested in investments having a yield that is “materially higher” (1/8 of one percent) than the yield on the Bonds.

Rebate of Arbitrage Profit. Unless the City qualifies for one of several exemptions, earnings from the investment of the “gross proceeds” of the Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the Bonds, amounts received as a result of investing such proceeds, and amounts to be used to pay debt service on the Bonds.

Covenants to Comply. The City has covenanted in the Bond Ordinance to comply with the requirements of the Code relating to the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Bonds may become includible in the gross income of the owners thereof for Federal income tax purposes retroactive to the date of issue. In such event, the Bond Ordinance requires neither acceleration of payment of principal of, or interest on, the Bonds nor payment of any additional interest or penalties to the owners of the Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Bonds is not includible in the gross income of the owners thereof for Federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Bonds which may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable Federal income tax provisions are described in general terms below. **PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.**

QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265(b)(3)(B) of the Code provides that certain issues designated as “qualified tax-exempt obligations” and purchased by financial institutions (either from the issuer or in a secondary market transaction) may be disregarded in computing the proportional disallowance of interest expense provided in such Section. In the Bond Ordinance, the City has deemed the Bonds as “qualified tax-exempt obligations”. In addition, as required by Section 265 of the Code, the City has represented that the reasonably anticipated amount of “tax-exempt obligations” that are required to be taken into account under Section 265 of the Code and will be issued by the City and all subordinate entities of the City during 2008 does not exceed \$10,000,000 and has covenanted that it will not designate and issue more than \$10,000,000 aggregate principal amount of “tax-exempt obligations” during 2008. For purposes of the foregoing sentence, the term “tax-exempt obligations” includes “qualified 501(c)(3) bonds” (as defined in Section 145 of the Code) but does not include other “private activity bonds” (as defined in Section 141(a) of the Code).

CONTINUING DISCLOSURE

In the Bond Ordinance, the City has covenanted and agreed, for the benefit of the beneficial owners of the Bonds, to provide certain financial information and operating data relating to the City within 210 days after the close of the City’s fiscal year (the “Annual Report”); and, in a timely manner, to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository and with the Illinois state information depository, if any. The information to be contained in the Annual Report will consist of the annual audited financial statement of the City, and updated information with respect to the statements in the Final Official Statement contained under the captions “**Retailers’ Occupation, Service Occupation and Use Tax**”, “**THE ELECTRIC SYSTEM**”, “**DEBT INFORMATION**” and “**FINANCIAL INFORMATION**”. Each annual audited financial statement will conform to generally accepted accounting principles applicable to governmental units and will be prepared in accordance with standards of the Governmental Accounting Standards Board. If the audited financial statement is not available, then an unaudited financial statement will be included in the Annual Report and the audited financial statement will be filed within 30 days after it becomes available. The notices of material events and timely notice of any failure of the City to file its Annual Report within the 210 day period will be filed by the City with the Municipal Securities Rulemaking Board and with the Illinois state information depository, if any. The City’s undertaking with respect to material events includes timely notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

The City has agreed to the foregoing undertakings in order to assist participating underwriters of the Bonds and brokers, dealers and municipal securities dealers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. The City will provide the foregoing information for so long as Rule 15c2-12(b)(5) is applicable to the Bonds and the City remains an “obligated person” under the Rule with respect to the Bonds. No provision of the Bond Ordinance limits the remedies available to any beneficial owner of the Bonds with respect to the enforcement of the continuing disclosure covenants of the City described above. Failure to comply with the continuing disclosure covenants will not constitute an event of default under the Bond Ordinance.

The City may amend the continuing disclosure undertakings contained in the Bond Ordinance upon a change in circumstances provided that (a) the undertakings, as amended, would have complied with the requirements of Rule 15(c)2-12(b)(5) at the time of this offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (b) in the opinion of nationally recognized bond counsel selected by the City, the amendment does not materially impair the interests of the beneficial owners of the Bonds.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approving opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel, whose approving opinion will be delivered with the Bonds. Bond Counsel has reviewed the statements in this Final Official Statement appearing under the headings “**PURPOSE, LEGALITY AND SECURITY**” and “**TAX EXEMPTION**,” and is of the opinion that the statements contained under such headings are accurate statements or summaries of the matters set forth therein and fairly present the information purported to be shown. Except for the foregoing, however, Bond Counsel has not independently verified the accuracy or completeness of statements and information contained in the Final Official Statement and does not assume any responsibility of the accuracy or completeness of such statements and information.

The opinion of Bond Counsel and the descriptions of the tax law contained in this Final Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

FINAL OFFICIAL STATEMENT AUTHORIZATION

This Final Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the City, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATING

Moody’s Investors Service, Inc., has assigned the Bonds a rating of “Aaa”. This rating is conditioned upon the delivery by Assured Guaranty of its standard form of Municipal Bond Insurance Policy. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The City and the Underwriters have undertaken no responsibility either to bring to the attention of the registered owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal (other than to comply with any applicable continuing disclosure requirements).

Assured Guaranty Corp. (“Assured Guaranty”), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the “Policy”) with respect to the scheduled payments of principal of and interest on this Bond to The Bank of New York Trust Company, N.A. Chicago, Illinois, as paying agent on behalf of the holders of the Bonds (the “Paying Agent”). Such Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Adam Funk, Dunbar, Breitweiser & Co., LLP, Bloomington, Illinois, independent certified public accountants, will verify the mathematical accuracy of certain computations regarding the adequacy of the maturing principal amounts of and interest on the Government Securities, together with an initial cash deposit, to pay the redemption price of and interest on the Refunded Bonds.

UNDERWRITING

Bernardi Securities, Inc., Chicago, Illinois (the "Underwriter") has agreed to purchase all but not less than all of the Bonds at a price of \$6,128,819.63, plus accrued interest. It is anticipated that delivery of the Bonds will occur on the date shown on the cover page hereof. The Bonds may be offered and sold to certain dealers (including the Underwriter or other dealers depositing Bonds into investment trusts) at prices or yields other than such public offering prices or yields shown in this Final Official Statement, and such public offering prices or yields may be changed, from time to time, by the Underwriter.

FINANCIAL ADVISOR

The City has engaged Speer Financial, Inc. as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Financial Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Financial Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Financial Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Final Official Statement, nor is the Financial Advisor obligated by the City's continuing disclosure undertaking.

CERTIFICATION

We have examined this Final Official Statement dated March 7, 2008, for the \$6,040,000 Electric System Revenue Refunding Bonds, Series 2008, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any 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.

/s/ **DONALD L. BAKER**
Mayor
CITY OF PERU
LaSalle County, Illinois

/s/ **JUDITH A. HEUSER**
City Clerk
CITY OF PERU
LaSalle County, Illinois

APPENDIX A

**CITY OF PERU
LASALLE COUNTY, ILLINOIS**

SOCIOECONOMIC INFORMATION

CITY GENERAL DEBT INFORMATION

PROPERTY ASSESSMENT AND TAX INFORMATION

EXCERPTS OF FISCAL YEAR 2007 AUDITED FINANCIAL STATEMENTS

The following is for information purposes only. The Bonds are revenue bonds payable solely from the net revenues of the Electric System. The Bonds are not general obligations of the City and neither the full faith and credit nor the taxing power of the City is pledged for the payment thereof.

SOCIOECONOMIC INFORMATION

The following demographic information is for the City. Additional comparisons are made with LaSalle County and the State of Illinois (the "State").

Employment

Following are lists of large employers located in the City and in the surrounding area.

Major City Employers(1)

| <u>Name</u> | <u>Product/Service</u> | <u>Approximate Employment</u> |
|---|---|-----------------------------------|
| Peru Mall..... | Retail | 840 |
| Illinois Valley Community Hospital..... | Hospital | 600 |
| Eakas Corp..... | Plastic Automotive Parts | 400 |
| James Hardie Building Products..... | Fiber Cement Siding Products | 350 |
| Double D Express, Inc..... | Intrastate Trucking | 207 |
| American Nickeloid Co..... | Metal Plating, Polishing, Laminating & Coated Metals..... | 170 |
| Mid States Express..... | Regional Trucking | 165 |
| O'Neal Steel, Inc..... | Steel Fabrication | 140 |
| Heritage Manor..... | Nursing Home | 130 |
| Huntsman Corp..... | Polystyrene Fabrication | 100 |
| Unytite, Inc..... | Industrial Fasteners & Automotive Parts..... | 100 |
| W.H. Maze Co..... | Plain & Zinc Coated Nails, Ring & Screw Shanks..... | 100 |
| PGI Mfg..... | Machine Parts Casting | 100 |

Note: (1) Source: 2007 Illinois Manufacturers Directory, 2007 Illinois Services Directory and a selective telephone survey.

Major Area Employers(1)

| <u>Location</u> | <u>Name</u> | <u>Product/Service</u> | <u>Approximate Employment</u> |
|--------------------|-----------------------------------|---|-----------------------------------|
| Spring Valley..... | Wal-Mart Distribution Center..... | Discount Retail | 1,000 |
| Ottawa..... | Community Hospital of Ottawa..... | Health Care Services | 640 |
| Spring Valley..... | St. Margaret's Hospital..... | General Hospital | 560 |
| Oglesby..... | IVCC..... | Community College | 509 |
| Princeton..... | Monterey Mushrooms, Inc..... | Fresh Mushroom Packaging | 500 |
| Princeton..... | L C N Closers..... | Door Closers | 460 |
| LaSalle..... | J.C. Whitney & Co..... | Auto Parts Catalog Distribution and Retail Outlet Store ... | 450 |
| Ottawa..... | Clover Technologies Group..... | Photographic Equipment and Supplies | 350 |
| Ottawa..... | G E Plastics..... | Plastic Pellets | 275 |
| Hennepin..... | Mittal Steel USA..... | Cold Rolled and Galvanized Steel Sheets and Coil | 260 |
| Granville..... | Mid-America Growers..... | Greenhouse, Bedding & Potted Plants | 250 |
| Ottawa..... | Ottawa Township High Schools..... | Secondary School | 225 |
| LaSalle..... | Carus Chemical Co..... | Chemical Processing | 225 |
| Princeton..... | Citizens First National Bank..... | Banking Services and Corporate Headquarter | 222 |
| Princeton..... | Champion..... | Air Compressors | 200 |
| Ottawa..... | HR Imaging..... | Photographic Processing and Developing | 200 |
| Spring Valley..... | Honeywell Hobbs..... | Auto and Off-Highway Lighting and Switches | 200 |
| Ottawa..... | Pilkington..... | Safety, Float and Flat Glass | 200 |
| Princeton..... | MTM Recognition..... | Awards, Rings, Watches | 200 |

Note: (1) Source: 2007 Illinois Manufacturers Directory, 2007 Illinois Services Directory and a selective telephone survey.

The following tables show employment by industry and by occupation for the City, LaSalle County and the State of Illinois as reported by the 2000 Census.

Employment By Industry(1)

| Classification | The City | | LaSalle County | | State of Illinois | |
|---|----------|---------|----------------|---------|-------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Agriculture, Forestry, Fishing and Hunting..... | 78 | 1.69% | 1,656 | 3.24% | 66,481 | 1.14% |
| Construction..... | 291 | 6.32% | 3,765 | 7.38% | 334,176 | 5.73% |
| Manufacturing..... | 842 | 18.28% | 9,785 | 19.17% | 931,162 | 15.96% |
| Wholesale Trade..... | 190 | 4.13% | 1,906 | 3.73% | 222,990 | 3.82% |
| Retail Trade..... | 688 | 14.94% | 6,847 | 13.41% | 643,472 | 11.03% |
| Transportation and Warehousing, and Utilities..... | 279 | 6.06% | 3,643 | 7.14% | 352,193 | 6.04% |
| Information..... | 86 | 1.87% | 1,130 | 2.21% | 172,629 | 2.96% |
| Finance, Insurance, Real Estate, and Rental and Leasing.... | 229 | 4.97% | 2,290 | 4.49% | 462,169 | 7.92% |
| Professional, Scientific, Management, Administrative, and Waste Management Services..... | 173 | 3.76% | 2,459 | 4.82% | 590,913 | 10.13% |
| Educational, Health and Social Services..... | 1,083 | 23.51% | 9,402 | 18.42% | 1,131,987 | 19.41% |
| Arts, Entertainment, Recreation, Accommodation and Food Services..... | 394 | 8.55% | 3,960 | 7.76% | 417,406 | 7.16% |
| Other Services (Except Public Administration)..... | 176 | 3.82% | 2,291 | 4.49% | 275,901 | 4.73% |
| Public Administration..... | 97 | 2.11% | 1,908 | 3.74% | 231,706 | 3.97% |
| Total..... | 4,606 | 100.00% | 51,042 | 100.00% | 5,833,185 | 100.00% |

Note: (1) Source: U. S. Bureau of the Census (2000).

Employment By Occupation(1)

| Classification | The City | | LaSalle County | | State of Illinois | |
|--|----------|---------|----------------|---------|-------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Management, Professional, and Related Occupations | 1,277 | 27.72% | 12,743 | 24.97% | 1,993,671 | 34.18% |
| Service Occupations | 781 | 16.96% | 8,053 | 15.78% | 813,479 | 13.95% |
| Sales and Office Occupations | 1,300 | 28.22% | 12,800 | 25.08% | 1,609,939 | 27.60% |
| Farming, Fishing, and Forestry Occupations | 23 | 0.50% | 342 | 0.67% | 17,862 | 0.31% |
| Construction, Extraction, and Maintenance Occupations | 395 | 8.58% | 6,010 | 11.77% | 480,418 | 8.24% |
| Production, Transportation, and Material Moving Occupations .. | 830 | 18.02% | 11,094 | 21.74% | 917,816 | 15.73% |
| Total..... | 4,606 | 100.00% | 51,042 | 100.00% | 5,833,185 | 100.00% |

Note: (1) Source: U.S. Bureau of the Census (2000).

Annual Average Unemployment Rates(1)

| Calendar Year | The City | LaSalle County | State of Illinois |
|---------------|----------|----------------|-------------------|
| 1997 | 6.1% | 7.2% | 4.7% |
| 1998 | 5.4% | 6.3% | 4.5% |
| 1999 | 5.4% | 6.3% | 4.3% |
| 2000 | 5.0% | 5.9% | 4.4% |
| 2001 | 5.6% | 6.6% | 5.4% |
| 2002 | 6.9% | 8.0% | 6.5% |
| 2003 | 7.0% | 8.1% | 6.7% |
| 2004 | 7.4% | 7.3% | 6.2% |
| 2005 | 5.9% | 6.2% | 5.7% |
| 2006 | 5.2% | 5.3% | 4.5% |
| 2007(2) | NA | 7.4% | 5.3% |

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of December 2007.

Building Permits

City Building Permits(I) (Excludes the Value of Land)

| Calendar Year | Single-Family | | Commercial/Industrial | | Miscellaneous | | Total Value |
|------------------|---------------|-------------|-----------------------|--------------|---------------|--------------|----------------|
| | Units | Value | Number | Value | Number | Value | |
| 1998..... | 26 | \$3,290,525 | 32 | \$ 8,735,753 | 56 | \$ 1,894,125 | \$13,920,403 |
| 1999..... | 40 | 5,541,451 | 41 | 69,348,780 | 63 | 1,015,413 | 75,905,644 |
| 2000..... | 35 | 5,728,169 | 28 | 19,113,379 | 57 | 679,129 | 25,520,677 |
| 2001..... | 19 | 3,181,000 | 28 | 38,911,542 | 69 | 1,111,932 | 43,204,474 |
| 2002..... | 34 | 7,149,840 | 14 | 7,137,276 | 145 | 4,669,407 | 18,956,523 |
| 2003..... | 46 | 8,173,420 | 6 | 2,785,518 | 199 | 12,004,620 | 22,963,558 |
| 2004..... | 40 | 8,238,859 | 34 | 17,583,121 | 179 | 3,116,583 | 28,938,563 |
| 2005..... | 27 | 5,153,900 | 34 | 30,697,366 | 180 | 4,845,628 | 40,696,894 |
| 2006..... | 27 | 5,553,373 | 36 | 20,876,839 | 199 | 4,515,245 | 30,945,457 |
| 2007..... | 12 | 2,653,239 | 31 | 11,825,966 | 197 | 7,801,649 | 22,280,854 |

Note: (1) Source: the City.

Housing

The 2000 Census reported that the median value of the City's owner-occupied homes was \$85,700, which compares with \$87,000 for LaSalle County and \$130,800 for the State. The 2000 value of specified owner-occupied units for the City, LaSalle County and the State of Illinois were as follows:

Specified Owner-Occupied Units(I)

| Value | The City | | LaSalle County | | State of Illinois | |
|-----------------------------|----------|---------|----------------|---------|-------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Under \$50,000..... | 263 | 9.09% | 3,701 | 13.15% | 230,049 | 9.31% |
| \$50,000 to \$99,999..... | 1,722 | 59.54% | 13,816 | 49.10% | 651,605 | 26.38% |
| \$100,000 to \$149,999..... | 643 | 22.23% | 6,395 | 22.73% | 583,409 | 23.62% |
| \$150,000 to \$199,999..... | 169 | 5.84% | 2,769 | 9.84% | 429,311 | 17.38% |
| \$200,000 to \$299,999..... | 63 | 2.18% | 1,162 | 4.13% | 344,651 | 13.95% |
| \$300,000 to \$499,999..... | 18 | 0.62% | 215 | 0.76% | 163,254 | 6.61% |
| \$500,000 to \$999,999..... | 11 | 0.38% | 46 | 0.16% | 55,673 | 2.25% |
| \$1,000,000 or more..... | 3 | 0.10% | 32 | 0.11% | 12,386 | 0.50% |
| Total..... | 2,892 | 100.00% | 28,136 | 100.00% | 2,470,338 | 100.00% |

Note: (1) Source: U.S. Bureau of the Census.

Income

According to the 2000 Census, the City had a median family income of \$48,180. This compares to \$40,308 for LaSalle County and \$55,545 for the State. The following table represents the distribution of family incomes for the City, LaSalle County and the State of Illinois at the time of the 2000 Census.

Family Income(I)

| Income | The City | | LaSalle County | | State of Illinois | |
|-----------------------------|----------|---------|----------------|---------|-------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Under \$10,000..... | 64 | 2.39% | 1,230 | 4.12% | 156,205 | 5.00% |
| \$10,000 to \$14,999..... | 99 | 3.69% | 1,318 | 4.41% | 105,747 | 3.38% |
| \$15,000 to \$24,999..... | 301 | 11.23% | 3,101 | 10.38% | 273,712 | 8.76% |
| \$25,000 to \$34,999..... | 391 | 14.58% | 3,807 | 12.75% | 331,907 | 10.62% |
| \$35,000 to \$49,999..... | 535 | 19.96% | 5,625 | 18.84% | 506,429 | 16.20% |
| \$50,000 to \$74,999..... | 768 | 28.65% | 8,173 | 27.37% | 736,897 | 23.58% |
| \$75,000 to \$99,999..... | 299 | 11.15% | 4,095 | 13.71% | 445,390 | 14.25% |
| \$100,000 to \$149,999..... | 149 | 5.56% | 1,924 | 6.44% | 356,068 | 11.39% |
| \$150,000 to \$199,999..... | 45 | 1.68% | 289 | 0.97% | 101,955 | 3.26% |
| \$200,000 or more..... | 30 | 1.12% | 302 | 1.01% | 111,008 | 3.55% |
| Total..... | 2,681 | 100.00% | 29,864 | 100.00% | 3,125,318 | 100.00% |

Note: (1) Source: U.S. Bureau of the Census.

According to the 2000 Census, the City had a median household income of \$37,060. This compares to \$40,308 for LaSalle County and \$46,590 for the State. The following table represents the distribution of household incomes for the City, LaSalle County and the State of Illinois at the time of the 2000 Census.

Household Income(I)

| Income | The City | | LaSalle County | | State of Illinois | |
|------------------------------|----------|---------|----------------|---------|-------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Under \$10,000 | 236 | 5.70% | 3,122 | 7.20% | 383,299 | 8.35% |
| \$10,000 to \$14,999 | 389 | 9.40% | 3,489 | 8.05% | 252,485 | 5.50% |
| \$15,000 to \$24,999 | 741 | 17.90% | 6,428 | 14.83% | 517,812 | 11.27% |
| \$25,000 to \$34,999 | 573 | 13.84% | 5,764 | 13.30% | 545,962 | 11.89% |
| \$35,000 to \$49,999 | 707 | 17.08% | 7,402 | 17.08% | 745,180 | 16.23% |
| \$50,000 to \$74,999 | 920 | 22.22% | 9,784 | 22.57% | 952,940 | 20.75% |
| \$75,000 to \$99,999 | 310 | 7.49% | 4,474 | 10.32% | 531,760 | 11.58% |
| \$100,000 to \$149,999 | 162 | 3.91% | 2,141 | 4.94% | 415,348 | 9.04% |
| \$150,000 to \$199,999 | 57 | 1.38% | 360 | 0.83% | 119,056 | 2.59% |
| \$200,000 or more | 45 | 1.09% | 382 | 0.88% | 128,898 | 2.81% |
| Total | 4,140 | 100.00% | 43,346 | 100.00% | 4,592,740 | 100.00% |

Note: (1) Source: U.S. Bureau of the Census.

Commerce

The City is a retail and commercial center for the surrounding area. Retail trade is located primarily in two areas. The first is the central business district anchored by the City Hall, the Illinois Valley Community Hospital and certain area financial institutions. The second area is the Peru Mall, located immediately south of the Interstate 80 and the Illinois Route 251 interchange. Anchor stores include Sears, Bergner’s, and J.C. Penney. Near the Peru Mall are K-Mart, Wal-Mart, Target Discount Store, Menard’s, and Staples. With the exception of the Peru Mall, the closest enclosed shopping malls are 60 miles east in Joliet, 60 miles south in Peoria, and 63 miles north in Rockford.

Peru’s importance as a regional trade center can be further seen in the stable percentage of sales tax receipts from the 1% municipal tax. Sales tax revenues represented 57% of fiscal year 2004 General Fund total revenues, 55% in fiscal year 2005, 54% in fiscal year 2006, and 55% in fiscal year 2007.

Retail Activity

Sales tax receipts exceeded 68% of Governmental Fund Type revenues in fiscal 2006. Following is a summary of the City’s sales tax receipts as collected and disbursed by the State of Illinois.

Retailers’ Occupation, Service Occupation and Use Tax(I)

| State Fiscal Year Ending June 30 | State Sales Tax Distributions(2) | Annual Percent Change + (-) |
|-------------------------------------|-------------------------------------|--------------------------------|
| 1997 | \$3,445,846 | 12.79%(3) |
| 1998 | 3,743,264 | 8.63% |
| 1999 | 4,447,976 | 18.83% |
| 2000 | 5,079,911 | 14.21% |
| 2001 | 5,415,897 | 6.61% |
| 2002 | 5,197,114 | (4.04%) |
| 2003 | 5,584,296 | 7.45% |
| 2004 | 4,749,835 | (14.94%) |
| 2005 | 4,850,672 | 2.12% |
| 2006 | 5,063,974 | 4.40% |
| Growth from 1997 to 2007 | | 46.96% |

- Notes: (1) Source: Illinois Department of Revenue and the City.
(2) Tax distributions are based on records of the Illinois Department of Revenue relating to the 1% municipal portion of the Retailers' Occupation, Service Occupation and Use Tax, collected on behalf of the City, less a State administration fee. The municipal 1% includes tax receipts from the sale of food and drugs which are not taxed by the State.
(3) Percentage change based on 1996 sales tax receipts of \$3,055,202.

CITY GENERAL DEBT INFORMATION

After issuance of the Bonds, the City will have outstanding \$8,860,000 principal amount of general obligation debt and \$16,540,000 principal amount of electric system revenue bonds.

The City does not intend to issue additional debt within the next three months.

**City General Obligation Bonded Debt Summary – By Issue(1)
(Principal Only)**

| Issue: | Amount <u>Outstanding</u> |
|---|------------------------------|
| Series 2001 General Obligation Bonds | \$3,400,000 |
| Series 2003A General Obligation TIF Bonds | 665,000 |
| Series 2003B General Obligation Refunding Bonds | 670,000 |
| Series 2004 General Obligation Bonds | <u>4,125,000</u> |
| Total | \$8,860,000 |

Note: (1) Source: the City.

**General Obligation Debt Service
(Principal Only)**

| Calendar Year | Series 2001 Bonds | Series 2003A Bonds | Series 2003B Bonds | Series 2004 Bonds | Total Debt | Cumulative Principal Only Tax Supported Debt | |
|------------------|-------------------------|--------------------------|--------------------------|-------------------------|----------------|---|---------|
| | | | | | | Amount | Percent |
| 2009 | \$ 215,000 | \$ 85,000 | \$215,000 | \$ 225,000 | \$ 740,000 | \$ 740,000 | 8.35% |
| 2010 | 225,000 | 90,000 | 220,000 | 235,000 | 770,000 | 1,510,000 | 17.04% |
| 2011 | 235,000 | 85,000 | 235,000 | 245,000 | 800,000 | 2,310,000 | 26.07% |
| 2012 | 245,000 | 90,000 | 0 | 255,000 | 590,000 | 2,900,000 | 32.73% |
| 2013 | 260,000 | 100,000 | 0 | 265,000 | 625,000 | 3,525,000 | 39.79% |
| 2014 | 270,000 | 105,000 | 0 | 275,000 | 650,000 | 4,175,000 | 47.12% |
| 2015 | 285,000 | 110,000 | 0 | 290,000 | 685,000 | 4,860,000 | 54.85% |
| 2016 | 300,000 | 0 | 0 | 300,000 | 600,000 | 5,460,000 | 61.63% |
| 2017 | 315,000 | 0 | 0 | 315,000 | 630,000 | 6,090,000 | 68.74% |
| 2018 | 330,000 | 0 | 0 | 325,000 | 655,000 | 6,745,000 | 76.13% |
| 2019 | 350,000 | 0 | 0 | 335,000 | 685,000 | 7,430,000 | 83.86% |
| 2020 | 370,000 | 0 | 0 | 335,000 | 705,000 | 8,135,000 | 91.82% |
| 2021 | <u>0</u> | <u>0</u> | <u>0</u> | <u>725,000</u> | <u>725,000</u> | 8,860,000 | 100.00% |
| Total ... | \$3,400,000 | \$665,000 | \$670,000 | \$4,125,000 | \$8,860,000 | | |

Note: (1) Source: the City.

Detailed Overlapping Bonded Debt(1)
(As of October 11, 2007)

| | Outstanding Debt | Applicable to City Percent(2) | Amount |
|---|---------------------|----------------------------------|--------------------|
| Schools: | | | |
| Grade School District Number 75..... | \$ 1,870,000 | 40.52% | \$ 757,724 |
| High School District Number 120..... | 700,000 | 42.81% | 299,670 |
| Community College District Number 513..... | 5,320,000 | 7.48% | <u>397,936</u> |
| Total Schools..... | | | \$1,455,330 |
| Others: | | | |
| LaSalle County..... | \$10,665,000 | 9.54% | <u>\$1,017,441</u> |
| Total Others..... | | | <u>\$1,017,441</u> |
| Total Schools and Others Overlapping Bonded Debt..... | | | \$2,472,771 |

Notes: (1) Source: LaSalle County Clerk.
(2) Percentages are based on 2006 EAVs, the latest available.

Statement of Bonded Indebtedness(1)

| | Amount Applicable | Ratio To Equalized Assessed | Estimated Actual | Per Capita (2000 Census 9,835) |
|---|----------------------|-----------------------------------|---------------------|--------------------------------------|
| City EAV of Taxable Property, 2006..... | \$190,858,481 | 100.00% | 33.33% | \$19,406.05 |
| Estimated Actual Value, 2006..... | \$572,575,443 | 300.00% | 100.00% | \$58,218.14 |
| Total Direct Bonded Debt..... | \$ 8,860,000 | 4.64% | 1.55% | \$ 900.86 |
| Total Overlapping Bonded Debt(2)..... | <u>2,472,771</u> | <u>1.30%</u> | <u>0.43%</u> | <u>251.43</u> |
| Total Direct and Overlapping Bonded Debt..... | \$ 11,332,771 | 5.94% | 1.98% | \$ 1,152.29 |

Notes: (1) Source: LaSalle County Clerk.
(2) As of October 11, 2007.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2006 levy year, the City's EAV was comprised of approximately 64% residential, 6% industrial, 29% commercial, and less than 1% farm and railroad property valuations.

Equalized Assessed Valuation(1)

| Property Class | Levy Years | | | | |
|---------------------|---------------|----------------|----------------|----------------|----------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Residential..... | \$102,250,101 | \$107,394,376 | \$105,259,568 | \$114,297,068 | \$121,792,680 |
| Farm..... | 146,777 | 152,920 | 127,929 | 154,355 | 497,665 |
| Commercial..... | 35,018,810 | 38,286,868 | 42,377,635 | 51,879,965 | 56,337,034 |
| Industrial..... | 9,575,569 | 9,563,572 | 10,473,502 | 10,535,779 | 12,046,412 |
| Railroad..... | 402,399 | <u>370,381</u> | <u>327,308</u> | <u>168,163</u> | <u>184,690</u> |
| Total..... | \$147,393,656 | \$155,768,117 | \$158,565,942 | \$177,035,330 | \$190,858,481 |
| Percent Change..... | 4.94%(2) | 5.68% | 1.80% | 11.65% | 7.81% |

Notes: (1) Source: LaSalle County Clerk.
(2) Percentage change based on 2001 EAV of \$140,461,760.

Representative Tax Rates(1)
(Per \$100 EAV)

| | Levy Years | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| City Rates: | | | | | |
| Garbage..... | \$0.0679 | \$0.0642 | \$0.0631 | \$0.0565 | \$0.0524 |
| Recreation..... | 0.0340 | 0.0321 | 0.0316 | 0.0283 | 0.0262 |
| Library..... | 0.0815 | 0.0771 | 0.0757 | 0.0678 | 0.0629 |
| Police Pension..... | 0.0944 | 0.0893 | 0.0877 | 0.0786 | 0.0729 |
| Fire Pension..... | 0.0136 | 0.0129 | 0.0127 | 0.0113 | 0.0105 |
| Band..... | 0.0034 | 0.0033 | 0.0032 | 0.0029 | 0.0027 |
| I.M.R.F..... | 0.0645 | 0.0610 | 0.0600 | 0.0537 | 0.0498 |
| Civil Defense..... | <u>0.0036</u> | <u>0.0034</u> | <u>0.0033</u> | <u>0.0030</u> | <u>0.0028</u> |
| Total City Rates(2)..... | \$0.3629 | \$0.3433 | \$0.3373 | \$0.3021 | \$0.2802 |
| LaSalle County..... | 0.7617 | 0.7991 | 1.0668 | 1.1089 | 1.0897 |
| Peru Township..... | 0.1893 | 0.1887 | 0.1964 | 0.1863 | 0.1827 |
| School District Number 120..... | 1.7432 | 1.7703 | 1.8070 | 1.8386 | 1.8865 |
| School District Number 124..... | 3.0276 | 3.0175 | 3.1028 | 3.0252 | 3.0177 |
| Illinois Valley Community College District Number 513..... | <u>0.4687</u> | <u>0.4549</u> | <u>0.4468</u> | <u>0.4437</u> | <u>0.4024</u> |
| Total Rates(3)..... | \$6.5534 | \$6.5738 | \$6.9571 | \$6.9048 | \$6.8592 |

- Notes: (1) Source: LaSalle County Clerk.
(2) As a home rule municipality there are no statutory tax rate limits for the City.
(3) Representative tax rates for other government units are from Peru Township Code 2.

City Tax Extensions and Collections(1)
(Includes Library)

| Levy Year | Coll. Year | Taxes Extended | Total Collections | |
|--------------|---------------|-------------------|-------------------|---------|
| | | | Amount(2) | Percent |
| 2001 | 2002 | \$598,507 | \$598,727 | 100.04% |
| 2002 | 2003 | 601,682 | 601,882 | 100.03% |
| 2003 | 2004 | 606,055 | 606,295 | 100.04% |
| 2004 | 2005 | 610,175 | 610,249 | 100.01% |
| 2005 | 2006 | 617,262 | 615,181 | 99.66% |
| 2006 | 2007 | 534,787(3) | 534,299 | 99.91% |

- Notes: (1) Source: LaSalle County Treasurer.
(2) Total Collections reflect all tax monies attributable to the specific tax but distributed to the taxing body over a period of time. This is updated annually by the County Treasurer and therefore is subject to revision as the County Treasurer makes allocations in the future. Excludes refunds and includes taxes held in reserve and interest earnings.
(3) Includes City and Library, excludes portion of Road and Bridge.

Principal City Taxpayers(1)

| <u>Taxpayer Name</u> | <u>Business/Service</u> | <u>2006 EAV(2)</u> |
|---|---|--------------------|
| Peru Mall Associates LLC | Shopping Center | \$ 6,634,711 |
| James Hardie Building Products..... | Fiber Cement Siding Products..... | 5,416,301 |
| United Steel Deck Inc. | Steel Decking | 4,293,247 |
| Huntsman Expandable Polymers | Polystyrene Fabrication | 2,198,162 |
| Eakas Corp. | Plastic Automotive Parts | 2,186,309 |
| Menards, Inc. | Home/Building Supplies | 1,843,856 |
| O'Neal Metals, Inc. | Steel Fabrication | 1,660,632 |
| DEM Holdings LLC | Industrial Property | 1,588,236 |
| Unytite Inc. | Industrial Fasteners and Automotive Parts | 1,434,771 |
| Hy-Vee Inc. | Real Property | <u>1,432,316</u> |
| Total | | \$28,688,541 |
| Largest Taxpayers as a Percent of the City's 2006 EAV (\$190,858,481) | | 15.03% |

- Notes: (1) Source: LaSalle County Clerk.
(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked. The 2006 EAV is the most current available.

**CITY OF PERU
LASALLE COUNTY, ILLINOIS**

EXCERPTS OF FISCAL YEAR 2007 AUDITED FINANCIAL STATEMENTS

The complete Official Statement requires financial information not included on this website but are available from the issuer upon written request, or from Speer Financial, Inc.

For issuer contact information please see the last paragraph of the cover page of the Official Statement.

For Speer Financial, Inc. please click on the contact us link at the bottom of the page.

APPENDIX B

DESCRIBING BOOK-ENTRY ONLY ISSUANCE

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other bond transactions in deposited bonds, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. bond brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

The following summary is a brief outline of certain provisions of the Bond Ordinance, is not considered a full statement thereof and is qualified by reference to the complete Bond Ordinance. Capitalized words or phrases that are not defined in this summary or conventionally capitalized have the meanings given such words or phrases in the Final Official Statement.

Defined Terms

As used or referred to in the Bond Ordinance, unless a different meaning clearly appears from the context:

"Accountant" means an independent certified public accountant or firm of public accountants licensed in the State of Illinois;

"Additional Project" means any part, improvement or replacement of the System other than the Hydroelectric Project;

"Bond" means any of the bonds of the City authenticated and delivered under and pursuant to the Bond Ordinance;

"Bondholder" or the term "holder" or the term "registered owner" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond or Bonds;

"Bond Insurance Policy" means a municipal bond insurance policy purchased by the City and issued by a Bond Insurer, which guarantees payment of principal of and interest on a Bond or Bonds;

"Bond Insurer" means, with respect to any Series of Bonds, each insurance company that has insured the payment of the principal of and interest on all or any portion of such Series and any successor thereto;

"Bond Reserve Fund Deposit" means, with respect to the proceeds of sale of a Series of Bonds, an amount equal to the lesser of (i) the amount necessary to increase the total sum then held in the Bond Reserve Fund to the Bond Reserve Requirement, computed as of the time immediately following such delivery, and (ii) the maximum amount of the proceeds of sale of such Series that may be deposited in the Bond Reserve Fund within the limitation provided for in Section 148(d)(2) of the Internal Revenue Code of 1986;

"Bond Reserve Requirement" means, as of any particular date of computation and with respect to particular Bonds Outstanding, an aggregate amount of money and Reserve Fund Assets equal to Maximum Annual Debt Service;

"Bond Year" means the annual period ending with the first day of May on any year;

"City Officer" means the Mayor of the City or any officer or employee of the City so designated by a written instrument signed by the Mayor of the City or by a resolution of the City Council, filed with the Trustee;

"Consulting Engineer" means an independent engineer or engineering firm or corporation of reputation for skill and experience with respect to construction and operation of electric generation, transmission and distribution facilities, as may from time to time be employed by the City;

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of recognized standing (who may be counsel or of counsel to the City) selected by the City and satisfactory to the Trustee;

"Debt Service" means, as of any particular date of computation and with respect to a particular Bond Year, an amount of money equal to the aggregate of (a) all interest payable during such Bond Year on all Bonds Outstanding on said date of computation, except interest payable from the proceeds of sale of Bonds deposited in the Bond Service Fund or in a Capitalized Interest Account, plus (b) the principal amount of all Bonds Outstanding on said date of computation which mature during such Bond Year, plus (c) the amount of all Sinking Fund Installments payable during such Bond Year with respect to any Bonds Outstanding on said date of computation, all calculated on the assumption that Bonds will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment of Bonds when due and the payment when due and application in accordance with the Bond Ordinance of Sinking Fund Installments payable at or after said date of calculation;

"Defeasance Obligation" means direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by Standard & Poor's Corporation or Aaa by Moody's Investors Service (or any combination thereof);

"Federal Obligation" means any direct obligation of, or any obligation the timely payment of principal of and interest on which is fully and unconditionally guaranteed by, the United States of America; provided that the full faith and credit of the United States of America is pledged to any such direct obligation or guarantee;

"Fiscal Year" means the period of twelve calendar months ending with the last day of April of any year;

"Hydroelectric Project" means the Starved Rock Hydroelectric Project (Federal Energy Regulatory Commission Project No. 4031) consisting of a hydroelectric power plant with four 1900 kW turbines to be installed at the Starved Rock Lock and Dam located on the Illinois River and transmission lines from the site of the Starved Rock Lock and Dam to a point of interconnection with the existing transmission and distribution facilities of the City, including a powerhouse, service crane, switchgear and transformers, together with all necessary equipment, controls, structures and appurtenances, and all real property, rights of way, easements and other interests therein, and all personal property necessary or desirable for construction or operation of such improvements;

"IMEA Contract" means the Amended Power Sales Contract dated June 1, 1990, by and between the City and the Illinois Municipal Electric Agency, as amended from time to time;

"License" means the Federal Energy Regulatory Commission license for Project No. 4031, issued June 24, 1988, as from time to time amended or supplemented, and any orders or directives of the Federal Energy Regulatory Commission issued pursuant thereto;

"Maximum Annual Debt Service" means, as of any date of computation, an amount of money equal to the greatest of the respective amounts of Debt Service for the then current or any future Bond Year;

"Net Revenues," when used with respect to a period of time, means the excess (if any) of the Revenues for such period of time over the Operating Expenses for such period of time;

"Operating Expenses" means the City's reasonable and necessary current expenses of maintaining, repairing and operating the System, including, without limiting the generality of the foregoing, all administrative, general and commercial expenses, insurance and surety bond premiums, payments under the IMEA Contract, payments to others for provision or supply of electricity, fuel costs, engineering expenses, legal expenses, auditing expenses, payments to pension, retirement, health and hospitalization funds, any taxes or rebates, which may be lawfully imposed on the City or its income or operations or the property under its control, ordinary and current rentals of equipment or other property, other rentals, usual expenses of maintenance and repair and costs of service connections, refunds of moneys lawfully due to others, and any other current expenses or payments required to be paid by the City under the provisions of the Bond Ordinance or by law, all to the extent properly and directly attributable to the System, expenses in connection with the issuance of Bonds, and the expenses, liabilities and compensation of the Trustee or any other Fiduciary required. to be paid hereunder, but not including any reserves for operation, maintenance or repair or any allowance for depreciation, amortization, payment of principal of or interest on Bonds, franchise fees or similar charges;

"Operating Requirement" means, as of any particular date of computation, an amount of money equal to one-sixth (1/6) of the amount required for payment of Operating Expenses in the current Fiscal Year, as shown by the Annual Budget then in effect;

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds authenticated and delivered except (a) any Bond cancelled by the City or the Trustee at or before said date, (b) any Bond for the payment or redemption of which either (i) cash, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (ii) Defeasance Obligations and cash, if necessary, in the amounts, of the maturities and otherwise conforming with the provisions of the Bond Ordinance, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for, and (c) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the provisions of the Bond Ordinance;

"Principal Installment" means, as of any particular date of calculation, an amount of money equal to the sum of (a) the principal amount of Outstanding Bonds that mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds that would at or before said future date cease to be Outstanding by reason of the payment when due and application in accordance with the Bond Ordinance of Sinking Fund Installments payable at or before such future date toward the retirement of such Outstanding Bonds, and (b) the amount of any Sinking Fund Installment payable on said future date toward the retirement of any Outstanding Bonds; and said future date is deemed to be the date when such Principal Installment is payable and the date of such Principal Installment;

"Project" means the Hydroelectric Project or any Additional Project;

"Qualified Investments" means:

(a) Federal Obligations;

(b) Deposits in interest-bearing accounts or certificates of deposit or similar arrangements issued by any bank, trust company, national banking association, savings bank or savings and loan association, including the Trustee, having a combined capital, surplus and undivided profits of not less than \$3,000,000, which deposits are insured;

(c) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities;

(d) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation;

(e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation;

(f) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 36 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's Investors Service and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's Corporation;

(g) investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation;

(h) repurchase agreements collateralized by Federal Obligations, GNMAs, FNMA or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the Federal Deposit Insurance Corporation, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided:

a. a master repurchase agreement or specific written repurchase agreement governs the transaction; and

b. the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million or (iii) a bank approved in writing for such purpose by each Bond Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

c. a perfected first security interest under the Uniform Commercial Code, or book-entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

d. the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

e. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(i) Investment agreements with a bank, investment bank, or insurance company provided that such bank, investment bank, or insurance company maintains an office in the United States and such bank, investment bank or insurance company is rated, at the time of purchase, in one of the three highest rating categories by Moody's Investors Service or Standard & Poor's Corporation, and provided further that the terms and provider of such investment agreement are approved in writing by each Bond Insurer;

"Redemption Price," when used with respect to a Bond, means (a) the principal amount of such Bond plus the applicable premium, if any, payable upon redemption, or (b) such other amount of money payable upon the redemption thereof as may be specified in the Supplemental Bond Ordinance authorizing the issuance of such Bond or in a Series Bond Order;

"Reserve Fund Assets" means (a) any irrevocable and unconditional letter of credit issued by a bank for the account of the City and for the benefit of the Trustee on behalf of the Bondholders, provided that such bank maintains an office, agency or branch in the United States of America and, provided further that, as of the date of issuance of such letter of credit, such bank is rated in one of the two highest rating categories by Moody's Investors Service or Standard & Poor's Corporation or (b) any irrevocable and unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States of America or by a service corporation acting on behalf of one or more such insurance companies; provided that, as of the time of issuance of such insurance policy or surety bond, such insurance company or companies are rated in the highest rating category by Moody's Investors Service or Standard & Poor's Corporation;

"Revenues" means (i) all revenues, income, rents and receipts derived by the City from or attributable to the ownership and operation of the System, including all revenues attributable to the System or to the payment of the costs thereof received by the City under any contract for the sale of power, energy, transmission or other service from the System or any part thereof or any contractual arrangement with respect to the use of the System or any portion thereof or the services, output or capacity thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the System, and (iii) income earned from investment of moneys in any Fund other than the 1993 Construction Fund or any Additional Project Construction Fund, but excluding any Government Grant;

"Service Charges" means the rates, fees or other charges imposed by the City for the use or services of the System;

"Sinking Fund Installment" means the amount of money required by the Bond Ordinance; by a Supplemental Bond Ordinance of the City authorizing a Series of Additional Bonds, or by a Series Bond Order to be paid by the City on a particular installment date toward the retirement of any particular Outstanding Bonds of like Series, which mature on a single date after said installment date, but does not include any amount payable by reason only of the maturity of a Bond, and, for all purposes hereof, said installment date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment, and said particular Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment and for which such Sinking Fund Installment is established and is or is to be paid;

"Subordinated Indebtedness" means any bonds or other obligations of the City secured by a pledge of or other lien on Revenues or amounts withdrawn from the System General Fund to the extent permitted by the Bond Ordinance;

"Supplemental Bond Ordinance" means any ordinance amending or supplementing the Bond Ordinance adopted and becoming effective in accordance with the Bond Ordinance;

"System" means the electric generation, supply and distribution system of the City including the Hydroelectric Project and all other properties or interests in properties, equipment, contracts, structures and appurtenances, owned or used by the City in connection with the production, transmission, distribution or conservation of electric power and energy, and in the provision of municipal street lighting in the City, including all additions, betterments, extensions and improvements to existing properties, facilities or assets, and all other real and personal property, and rights therein that are useful or convenient for the provision of electric service;

"System Reserve Requirement" means, as of any particular date of computation, \$250,000 or such greater amount as may most recently have been established by an ordinance of the City filed with the Trustee, as the amount reasonably necessary as a reserve for expenses with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals;

Limited Obligation of Bonds

The Series 2008 Bonds shall be limited obligations of the City payable from the Revenues of the System and the moneys, securities and funds pledged therefor under the Bond Ordinance, subject to the withdrawal and application of such moneys, securities and funds in accordance with the provisions of the Bond Ordinance. The Series 2008 Bonds shall not be deemed to constitute general obligations of the City. Neither the full faith and credit nor the general taxing power of the taxing power of the is pledged to the payment of the principal of or interest on the Series 2008 Bonds. All Series 1998 Bonds, Series 1999 and Series 2008 Bonds and, if and to the extent so provided in the Supplemental Bond Ordinance authorizing the issuance of any particular Additional Bonds, such Additional Bonds shall be entitled to the benefits of the continuing pledge and lien created by the Bond Ordinance to secure the full and final payment of the principal or Redemption Price of and interest on all of said Bonds.

Electric Light Fund

Each of the Funds and Accounts established by the Bond Ordinance shall be part of the Electric Light Fund of the City, which shall continue for accounting and administrative purposes as an enterprise fund of the City.

Purposes of Additional Bonds

Additional Bonds of the City may be authorized to be issued pursuant to and in accordance with the Bond Ordinance either (a) for the purpose of raising funds to pay any cost required pursuant to the License (including any renewal thereof), or (b) for the purpose of raising funds to pay the cost of acquisition or construction of any Additional Project, including cost of construction on or about the System for extensions, renewals, replacements, equipment, alterations, improvements or betterments and of all or any property, rights, easements and franchises deemed by the City to be necessary or useful and convenient therefor or necessary in connection therewith, or (c) for the purpose of refunding any Bonds. A portion of the proceeds of sale of Additional Bonds may be applied to provide for an increase in the Bond Reserve Fund to the Bond Reserve Requirement, the Renewal and Replacement Fund to the System Reserve Requirement, or the Operating Fund to the Operating Requirement; to provide for the payment of interest on Bonds by a deposit to a Capitalized Interest Account and to fund or refund any indebtedness of the City issued to finance or refinance costs referred to in clause (a) or (b) above.

Issuance of Additional Bonds

The Trustee shall not deliver Additional Bonds unless there shall have been delivered or paid to the Trustee the following:

(a) A copy of the Supplemental Bond Ordinance, certified by the City Clerk, authorizing such Additional Bonds, stating the purpose or purposes of issuance of such Additional Bonds, and if such Additional Bonds are authorized for any purpose other than the refunding of Bonds, describing in brief and general terms the Project to be financed by the issuance of such Additional Bonds;

(b) A copy of a further Supplemental Bond Ordinance of the City, if required, certified by the City Clerk, or of a Series Bond Order, fixing all other terms and provisions of such Additional Bonds not fixed by the Bond Ordinance or by the Supplemental Bond Ordinance;

(c) The written order of the City as to the delivery of such Additional Bonds, signed by a City Officer and stating (i) the amount of the proceeds of sale of such Additional Bonds, (ii) the amount of such proceeds that will be paid by the City to the Trustee for deposit in the Bond Reserve Fund, which amount shall be not less than the Bond Reserve Fund Deposit, and (iii) the amount, if any, of such proceeds which will be paid by the City to the Trustee for deposit in any other Fund or Account maintained under the Bond Ordinance;

(d) The amounts stated in said written order as the amounts of such proceeds that will be paid by the City to the Trustee for deposit in the Bond Reserve Fund and the other Funds and Accounts maintained under the Bond Ordinance;

(e) If such Additional Bonds are authorized for the purpose of financing and cost required by the License, a certificate of the Consulting Engineer stating the opinion that the issuance of such Additional Bonds is necessary to pay any cost required pursuant to the License (including any renewal thereof);

(f) If such Additional Bonds are authorized for a purpose of financing an Additional Project, either (A) a certificate of a City Officer setting forth the Net Revenues during any consecutive twelve months of the twenty-four month period next preceding the date of delivery of such Additional Bonds (calculated on the assumption that the schedule of Service Charges in effect at the time of such delivery had been in effect during the whole of such period) and Maximum Annual Debt Service with respect to Bonds Outstanding as of the time immediately following such date of delivery; and stating that the amount of such Net Revenues is not less than one hundred thirty per centum (130%) of such Maximum Annual Debt Service; and (B) a certificate of the Consulting Engineer estimating the date of completion of the Additional Project and stating the opinion, based on the schedule of Service Charges in effect on the date of delivery of such Additional Bonds, that with respect to each Fiscal Year commencing within the twenty-four months next following the estimated date of completion of such Additional Project, Net Revenues during such Fiscal Year will be not less than one hundred thirty per centum (130%) of Maximum Annual Debt Service with respect to Bonds Outstanding as of the time immediately following the delivery of such Additional Bonds; provided that, a certificate of a City Officer meeting the requirements of this sub-clause (B) may be filed with the Trustee in lieu of the certificate of the Consulting Engineer if the principal amount of such Additional Bonds is less than \$2,000,000 and each Bond Insurer shall have filed with the Trustee its written consent to the use of such alternative certificate;

(h) If such Additional Bonds are authorized for the purpose of refunding any Bonds, a certificate of a City Officer setting forth Debt Service for each future Bond Year computed (i) as of the time immediately preceding delivery of such Additional Bonds and (ii) as of the time immediately following such delivery, and stating either (1) that Maximum Annual Debt Service, computed as of the time immediately following such delivery and without regard to Debt Service on any other Series of Additional Bonds issued for the purpose of financing the completion of the Project or an Additional Project and delivered on the same date as such Additional Bonds, will not be greater than Maximum Annual Debt Service, computed as of the time immediately preceding such delivery, or (2) that the amount of the Net Revenues during any consecutive twelve months of the twenty-four period next preceding the date of delivery of such Additional Bonds (calculated on the assumption that the schedule of Service Charges in effect at the time of such delivery had been in effect during the whole of such period) is not less than one hundred thirty per centum (130%) of Maximum Annual Debt Service, computed as of the time immediately following such delivery and without regard to Debt Service on any other Series of Additional Bonds issued for the purpose of financing the completion of the Project or an Additional Project and delivered on the same date as such Additional Bonds; and

(h) A Counsel's Opinion satisfying the requirements of the Bond Ordinance with respect to each Supplemental Bond Ordinance and stating that the terms and provisions of each such Supplemental Bond Ordinance conform with the requirements of the Bond Ordinance.

If such Additional Bonds are authorized for the purpose of refunding any Bonds, the Trustee shall apply the proceeds thereof not otherwise allocated in the written order required by the Bond Ordinance to the refunding of such Bonds, in accordance with the Supplemental Bond Ordinance authorizing such Additional Bonds.

If such Additional Bonds are authorized for the purpose of financing an Additional Project, the moneys deposited in the Additional Project Construction Fund shall be applied by the City and by the Trustee to pay the cost of the Project described in the Supplemental Bond Ordinance authorizing such Additional Bonds.

The Trustee shall not authenticate or deliver any Series of Additional Bonds if at the time of such authentication or delivery an Event of Default shall have occurred and shall be continuing, unless each Bond Insurer shall have been advised of the pending issuance of such Series of Additional Bonds and shall have filed with the Trustee its written consent to such issuance.

Establishment of Funds

The Bond Ordinance establishes the following special funds within the Electric Light Fund of the City, each of which (except the Revenue Fund and the Operating Fund, to be held by the City) shall be held by the Trustee: Revenue Fund; Operating Fund; Bond Service Fund; Bond Reserve Fund; Renewal and Replacement Fund; System General Fund; and 2008 Rebate Fund.

Pledge Securing Bonds

Subject only to the right of the City to cause amounts to be withdrawn therefrom and paid on account of Operating Expenses of the System or for other purposes specified in the Bond Ordinance, the Revenues and all moneys and securities paid or to be paid to or held or to be held by the Trustee under the Bond Ordinance, are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds.

Deposit of Service Charges and Government Grants

All Service Charges shall be collected by the City and deposited daily, as far as practicable, in the Revenue Fund. Any moneys received by the City from any other source for operating, maintaining or repairing the System may also be deposited in the Revenue Fund.

All Government Grants for or with respect to the Hydroelectric Project, or any Additional Project, received by the City and not otherwise pledged as security for the payment of obligations of the City issued in anticipation of the receipt thereof, shall be deposited promptly with the Trustee. The Trustee shall be accountable only for moneys actually so deposited. All such Government Grants shall be paid by the Trustee into the appropriate Additional Project Construction Fund or if such Fund shall not then be maintained, into the System General Fund.

Periodic Withdrawals from Revenue Fund

As of the first day of each month in each Fiscal Year, the City shall make payments from the Revenue Fund into the Operating Fund to the extent, if any, needed to increase the amount in the Operating Fund so that it equals the Operating Requirement. The amount remaining in the Revenue Fund after the foregoing payment to the Operating Fund shall be paid by the City to the Trustee.

As of the first day of each month in each Fiscal Year, the Trustee shall make payments into the following several Funds, but as to each such Fund only within the limitation hereinbelow indicated with respect thereto and only after maximum payment within such limitation into every such Fund previously mentioned in the following tabulation:

FIRST: Into the Bond Service Fund, to the extent, if any, needed to increase the amount in the Bond Service Fund so that it equals the amount of money obtained by aggregating the several sums, computed with respect to the Outstanding Bonds of each Series, of (i) any unpaid interest due on Bonds at or before such date, (ii) the Principal Installments of Bonds matured and unpaid at or before said date, (iii) all interest on Bonds accrued and not paid through the end of the current month, other than compound interest accreted to a Capital Appreciation Bond which shall be deemed to accrue in the 12 months immediately prior to the maturity of such Capital Appreciation Bond, less any portion of such interest payable from a Capitalized Interest Account, and (iv) that portion of each Principal Installment with respect to Bonds next payable after said date that would have accrued to the end of the current month if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or, if there shall be no preceding due date or such preceding due date is more than one year prior to the next Principal Installment due date then, from a date one year prior to such next Principal Installment due date or from the date of issuance of the Bonds of such Series, whichever date is later.

SECOND: Into the Bond Reserve Fund, to the extent, if any, needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve Requirement.

THIRD: Into the Renewal and Replacement Fund, the lesser of (i) \$10,000 and (ii) the amount needed to increase the amount in the Renewal and Replacement Fund so that it equals the System Reserve Requirement.

FOURTH: Into the System General Fund, to any extent.

Operating Fund

The City shall make payment from time to time out of the Operating Fund of all amounts required for the operation, maintenance or repair of the System and for reasonable and necessary Operating Expenses.

If at *any* time there shall not be a sufficient amount in the Operating Fund to provide for any withdrawal therefrom required under the provisions of this Section, the Trustee, upon the filing with it of a certificate of a City Officer requesting such withdrawal, shall withdraw from the System General Fund and pay into the Operating Fund the amount sufficient to make up such deficiency therein.

Bond Service Fund

The Trustee shall withdraw from the Bond Service Fund, prior to each interest payment date of the Bonds, an amount equal to the interest due on the Bonds on such interest payment date, and apply the same to the payment of said interest when due.

The Trustee shall withdraw from the Bond Service Fund, prior to each Principal Installment due date an amount equal to the principal amount of Bonds, if any, maturing on said day, and apply the same to the payment of the principal of said Bonds when due.

If five days prior to any payment date there shall not be a sufficient amount in the Bond Service Fund to provide for any withdrawal therefrom required, the Trustee shall withdraw from the Bond Reserve Fund and pay into the Bond Service Fund the amount needed to cure such deficiency.

Bond Reserve Fund

If on any date all withdrawals or payments from the Bond Reserve Fund required by any other provision of the Bond Ordinance shall have been made, the Trustee shall withdraw from the Bond Reserve Fund the amount of any excess therein over the Bond Reserve Requirement as of such date and shall pay the moneys so withdrawn into the Bond Service Fund.

At the direction of the City expressed in a certificate signed by a City Officer and filed with the Trustee, moneys in the Bond Reserve Fund may be withdrawn from the Bond Reserve Fund and deposited with the Trustee for the payment of the principal or Redemption Price of and interest on Bonds, provided that immediately after such withdrawal the amount held in the Bond Reserve Fund equals or exceeds the Bond Reserve Requirement.

The City shall maintain in the Bond Reserve Fund an amount equal to the Bond Reserve Requirement. In lieu of the deposit of money in the Bond Reserve Fund in satisfaction of the Bond Reserve Requirement, the City may provide the Trustee with Reserve Fund Assets. The Trustee shall not accept any letter of credit, insurance policy or surety bond as a Reserve Fund Asset until it shall have been provided with an opinion of counsel of the issuer of such Reserve Fund Asset that such Reserve Fund Asset is a valid and binding obligation of such issuer enforceable in accordance with its terms and is exempt from the registration requirements of applicable Federal securities laws. Each such letter of credit shall not be terminable by the bank issuing such letter of credit on less than five years' written notice to the Trustee and the City. Each such insurance policy or surety bond shall not permit the cancellation thereof by the issuer. The acceptance of any Reserve Fund Asset shall be subject to the prior written approval thereof by each Bond Insurer, such approval to be evidenced by a certificate executed by an officer of such Bond Insurer and filed with the Trustee.

In computing the value of Reserve Fund Assets, each insurance policy or surety bond shall be valued at the amount of the coverage under such insurance policy or surety bond which may be drawn upon by the Trustee on such date of valuation and each letter of credit shall be valued at the undrawn stated amount thereof which may be drawn upon by the Trustee on such date of valuation.

No moneys held in the Bond Reserve Fund shall be invested under an investment agreement described in clause (i) of the definition of Qualified Investments unless the following requirements are satisfied (a) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with interest payment dates, (b) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date), (c) the agreement is not subordinated to any other obligations of the insurance company, investment bank, or bank providing the investment agreement, (d) the same guaranteed interest rate will be paid on any future deposits made to restore the Bond Reserve Fund to the Bond Reserve Requirement, and (e) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company, investment bank, or bank.

Renewal and Replacement Fund

If on any date the amount in the Bond Reserve Fund shall be less than the Bond Reserve Requirement as of such date and sufficient funds are not available in the System General Fund, the Trustee shall withdraw from the Renewal and Replacement Fund and pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve Requirement.

The Trustee shall withdraw from the Renewal and Replacement Fund amounts requisitioned by the City and apply the same to the reasonable and necessary expenses with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

If on any date all withdrawals or payments from the Renewal and Replacement Fund required by any other provision of the Bond Ordinance shall have been made and the amount in the Renewal and Replacement Fund exceeds \$450,000, the Trustee, upon the filing with it of a certificate of a City Officer requesting such withdrawal, shall withdraw from the Renewal and Replacement Fund the amount of such excess and pay the moneys so withdrawn to the City for deposit into the Revenue Fund.

System General Fund

If on any date the amount in the Bond Reserve Fund shall be less than the Bond Reserve Requirement as of said date, the Trustee shall withdraw from the System General Fund and pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals such Bond Reserve Requirement.

Subject to the provisions of any ordinance, indenture or instrument securing the payment of Subordinated Indebtedness, whenever at any date in any Fiscal Year, the amount in the Bond Reserve Fund equals or exceeds the Bond Reserve Requirement and the City is not in default in the payment of the principal of or interest on or Redemption Price of any of the Bonds, the Trustee, at the direction of the City expressed in a certificate of a City Officer filed with the Trustee, shall withdraw from and pay out of the System General Fund any amount in the System General Fund which is in excess of the amounts then reasonably required in the opinion of the City to be reserved for payment or security of the Bonds, payment of any rebate due the United States of America under Section 148(f) of the Internal Revenue Code of 1986 with respect to Bonds, and for any current or anticipated necessary reconstruction of the System. All amounts so withdrawn by the Trustee from the System General Fund shall forthwith upon withdrawal be paid to the City and may be spent by the City for any lawful purpose. Moneys withdrawn from the System General Fund may be deposited into any Fund or Account maintained under the Bond Ordinance. All amounts so withdrawn from the System General Fund that are not deposited into any Fund or Account maintained under the Bond Ordinance shall upon withdrawal be forever free and clear of *any* lien or pledge created by the Bond Ordinance.

Subordinated Indebtedness

The City reserves the right to issue Subordinated Indebtedness. or to the issuance of Subordinated Indebtedness the City shall file with the Trustee a copy, certified by the City Clerk, of each ordinance, indenture or other instrument securing Subordinated Indebtedness and promptly thereafter shall file with the Trustee a copy, certified by the City Clerk, of any amendment of any such ordinance, indenture or instrument. The City may establish within the System General Fund one or more accounts to provide for the security and payment of Subordinated Indebtedness and may direct the deposit therein of amounts which could be withdrawn from the System General Fund.

2008 Rebate Fund

The City covenants that it will include in the Annual Budget such amounts as are necessary to fund any deposits required to be made, or estimated to be so required, in the applicable Fiscal Year to maintain in the 2008 Rebate Fund the sum required to be deposited therein.

Funds Held for Bonds

The amounts held or applied by the Trustee for the payment of interest, principal or Redemption Price due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust for the holders of the Bonds entitled thereto, and for the purposes of the Bond Ordinance such principal, interest or Redemption Price, after the due date thereof, shall no longer be considered to be unpaid.

Any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at maturity or by call for redemption, if such moneys were held by the Trustee at said date, or for six years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Bonds became due and payable, shall be paid by the Trustee to the City as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the holder of such Bonds shall look only to the City for the payment thereof.

Purchase of Bonds

The City may purchase Bonds of any Series from any available funds at public or private sale, at any time and at such prices as the City may in its discretion determine. All Bonds so purchased shall at such times as shall be selected by the City be delivered to and cancelled by the Trustee and shall thereafter be delivered to, or upon the order of, the City, and no Bonds shall be issued in lieu thereof. In the case of the purchase of Bonds of a Series and maturity for which Sinking Fund Installments shall have been established, the City shall, by a certificate of a City Officer delivered to the Trustee, elect the manner in which the principal amount of such Bonds shall be credited against future Sinking Fund Installments.

Payment of Bonds

Subject always to the condition that any obligation of the City under the Bond Ordinance shall only be payable from Revenues and other moneys, securities and funds pledged pursuant to the Bond Ordinance, the City shall duly and punctually pay or cause to be paid the principal of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof. No Holder or Holders of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the City to pay the Bonds or the interest thereon, and the Bonds shall not constitute general obligations of the City.

Operation and Maintenance of System

The City shall at all times operate the System properly and in a sound and economical manner, and shall maintain, preserve and keep the same properly or cause the same to be so maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly conducted.

Payment of Lawful Charges

The City shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon it or in respect of the System, or upon any part thereof or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the System, and shall not create or suffer to be created any lien or charge upon the System or any part thereof or upon the revenues therefrom, except as provided by the Bond Ordinance. The City shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge within sixty days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or the revenues therefrom; provided, however, that nothing in the Bond Ordinance shall require the City to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Power Purchase Agreements

The City shall comply with all of the provisions of, and shall pay as Operating Expenses all of its payment obligations under, the IMEA Contract so as to preserve at all times its right to purchase power and energy pursuant to the IMEA Contract. Subject to the terms of the IMEA Contract, the City may enter into additional agreements for the purchase and transmission of electric power and energy. Prior to entering into any such agreement the City shall file with the Trustee a certificate signed by the Consulting Engineer stating the opinion that for each of the first five Fiscal Years next following the effective date of such agreement, the Net Revenues during such Fiscal Year will be not less than one hundred thirty per centum (130%) of Maximum Annual Debt Service.

Annual Budget of Operating Expenses

Before the beginning of any Fiscal Year, the City shall prepare and file with the Trustee a preliminary budget of Operating Expenses for the ensuing Fiscal Year. The City shall comply with any reasonable request of the Trustee as to the preparation of such budget, particularly with respect to the categories into which such budget shall be divided. Such preliminary budget and any Annual Budget may set forth such additional material as the City may determine.

On or before the 90th day of each Fiscal Year, the City shall finally adopt the Annual Budget for such Fiscal Year. Copies of the Annual Budget shall be promptly filed with the Trustee, and such Annual Budget shall not be effective until it is so filed.

If for any reason the City shall not have adopted the Annual Budget before the first day of any Fiscal Year, the preliminary budget for such year, if it shall have been filed with the Trustee, or otherwise the budget for the preceding Fiscal Year, shall be deemed to have been adopted for such Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted and a copy thereof filed with the Trustee.

The City may at any time adopt an amended Annual Budget for the then current Fiscal Year, but no such amended Annual Budget under which the total amount of expenditures exceeds such total amount in any prior budget for such Fiscal Year shall supersede such prior budget until a copy thereof has been filed with the Trustee.

Limitations on Operating Expenses

The City shall not incur Operating Expenses in any year in excess of the reasonable and necessary amount thereof, and shall not expend any amount or incur any indebtedness for maintenance, repair and operation in excess of the amounts provided for Operating Expenses in the Annual Budget then in effect.

Service Charges

For all direct or indirect use and services of, the System, the City shall charge and collect Service Charges. The City shall prescribe a schedule of Service Charges, and shall charge and collect Service Charges in accordance with such initial schedule or any revision thereof from time to time in effect, and shall, whenever and as often as it shall appear necessary, make such revisions in any such schedule and prescribe, charge and collect such Service Charges, as may be necessary or proper in order that the Revenues collected (including any proceeds to the City of use and occupancy insurance deposited by the City in the Revenue Fund) will be at least sufficient:

- (a) at all times to pay all Operating Expenses and maintain, preserve and keep the System in good repair, working order and condition, and
- (b) to provide in each Fiscal Year a sum equal to one hundred thirty per centum (130%) of the Debt Service for the Bond Year commencing during such Fiscal Year, and
- (c) by deposit and application in accordance with the Bond Ordinance of Revenues paid to the Trustee, to maintain in the Bond Reserve Fund an amount equal to the Bond Reserve Requirement, and
- (d) by the deposit and application in accordance with the Bond Ordinance of Revenues paid to the Trustee, to provide for the required monthly deposits to the Renewal and Replacement Fund, and
- (e) at all times to provide for any deficits of the City resulting from failure to receive any Service Charges or from any other cause and comply in all respects with the terms and provisions of the Bond Ordinance and pay and discharge all charges or liens payable out of the Revenues when due and enforceable.

Copies of every schedule of Service Charges, and revisions thereof, prescribed or adopted by the City shall be promptly filed with the Trustee.

Enforcement of Service Charges

The City shall so plan, schedule and prosecute all construction on or about the System, and shall so operate and maintain the System, as to entitle it at all times to charge and collect Service Charges and to collect Revenues with respect to the System, and shall take all reasonable measures permitted by law to enforce prompt payment to it of all Service Charges and Revenues.

Insurance and Reconstruction

The City shall at all times maintain with responsible insurers all such insurance as is customarily maintained with respect to electric utility systems of like character against loss of or damage to the System and against loss of Revenues and against public and other liability to the extent reasonably necessary to protect the interest of the City and the Bondholders. If any useful part of the System shall be damaged or destroyed, the City shall, as expeditiously as may be possible, commence and diligently prosecute the repair or replacement of the damaged property so as to restore the same to use. The proceeds of any such insurance shall be payable to the City and (except for proceeds of use and occupancy insurance) shall be applied to the necessary costs involved in such repair and replacement and, to the extent not so applied, shall (together with proceeds of any such use and occupancy insurance) be deposited by the City as Revenues. In the event that the costs of such repair and replacement of the damaged property exceed the proceeds of such insurance available for payment of the same, funds available in the System General Fund shall be used to the extent necessary for such purposes, and if funds available in the System General Fund are insufficient therefor, funds available in the Renewal and Replacement Fund shall be used to the extent necessary for such purposes.

Sale or Encumbrance

No part of the System shall be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of; provided, however, that the City may sell, exchange or lease at any time and from time to time any property or facilities constituting part of the System and not useful or necessary in the construction, reconstruction or operation thereof, but any proceeds of any such sale, exchange or lease, if payable in installments, shall be deposited in the Revenue Fund as Revenues; and any such proceeds not so payable shall be deposited in the System General Fund.

Creation of Liens

The City shall not issue any bonds, notes, or other evidences of indebtedness, other than the Bonds, secured by a pledge of or other lien or charge on the Revenues (including amounts which the City may thereafter be entitled to expend for Operating Expenses) and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by the City or the Trustee under the Bond Ordinance; provided, however, that no provision of the Bond Ordinance shall prevent the City from issuing bonds or notes or other obligations for the purposes of the City payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Bond Ordinance shall be discharged and satisfied as provided in the Bond Ordinance, or from issuing bonds or notes or other obligations for the purposes of the City which are payable out of or secured by the pledge of amounts which may be withdrawn from the System General Fund, and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of the Bond Ordinance and the lien and pledge created by the Bond Ordinance.

Accounts and Audit

The City shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the System or any part thereof, and which, together with all other books and papers of the City, shall at all reasonable times be subject to the inspection of the Trustee or any Bondholder. The City shall cause its books and accounts to be audited annually by an Accountant selected by the City and annually within four months after the close of each Fiscal Year copies of the reports of such audits shall be furnished to the City and the Trustee including statements in reasonable detail, accompanied by a certificate of said Accountant, of the City's financial condition, of Revenues and Operating Expenses, of all funds held by the Trustee and the security held therefor.

Tax Covenants

The City shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof.

The City shall not permit any of the proceeds of the Series 2008 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2008 Bond to constitute a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986.

The City shall not permit any of the proceeds of the Series 2008 Bonds or other moneys to be invested in any manner that would cause any Series 2008 Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986 or a "hedge bond" within the meaning of Section 149(g) of said Code.

The City shall comply with the provisions of Section 148(f) of the Internal Revenue Code of 1986 relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

Supplemental Bond Ordinances Effective Upon Filing

For any one or more of the following purposes and at any time or from time to time, an ordinance of the City supplementing the Bond Ordinance may be adopted by the City Council, which ordinance, upon the filing with the Trustee of a copy thereof certified by the City Clerk, shall be fully effective in accordance with its terms:

- (1) To close the Bond Ordinance against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Ordinance on, the issuance in future of Bonds, or of other notes, bonds, obligations or evidences of indebtedness;
- (2) To add to the covenants or agreements of the City contained in the Bond Ordinance other covenants or agreements to be observed by the City which are not contrary to or inconsistent with the Bond Ordinance;
- (3) To add to the limitations or restrictions contained in the Bond Ordinance other limitations or restrictions to be observed by the City which are not contrary to or inconsistent with the Bond Ordinance;
- (4) To surrender any right, power or privilege reserved to or conferred upon the City by the Bond Ordinance;
- (5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Ordinance, of the Revenues or of any other moneys, securities or funds;
- (6) To authorize Additional Bonds in accordance with the terms of the Bond Ordinance;
- (7) To modify any of the provisions of the Bond Ordinance in any respect whatever, provided that such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Bond Ordinance shall cease to be Outstanding;
- (8) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Ordinance; and
- (9) To insert such provisions clarifying matters or questions arising under the Bond Ordinance as are necessary or desirable and are not contrary to or inconsistent with the Bond Ordinance.

Powers of Amendment

Any modification or amendment of the provisions of the Bond Ordinance or any ordinance amendatory thereof or supplemental thereto and of the rights and obligations of the City and of the holders of the Bonds thereunder, in any particular, may be made by ordinance of the City as hereinafter specified, with the written consent of the holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, but no such modification or amendment shall permit a change in the maturity or terms of redemption of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the amount of principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto, or shall reduce the percentages or otherwise affect the description of Bonds the consent of the holders of which is required to effect any such modification or amendment.

Any modification or amendment of the Bond Ordinance shall not take effect until the written consent to such modification or amendment of each Bond Insurer shall have been filed with the Trustee.

Any rating agency rating the Bonds shall receive notice of each such modification or amendment, and a copy thereof, at least 15 days prior to the effective date of such modification or amendment.

Events of Default

Each of the following shall constitute an event of default under the Bond Ordinance and is hereby called "Event of Default,":

(1) interest on any of the Bonds of a particular Series shall become due on any date and shall not be paid on said date, or a Principal Installment or the Redemption Price of any of the Bonds of a particular Series shall become due on any date, whether at maturity or upon call for redemption, and shall not be paid on said date; or

(2) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds or the Bond Ordinance contained and such default shall continue for a period of thirty days after written notice to the City from the Trustee specifying such default and requiring the same to be remedied; or

(3) there shall be filed by the City a petition seeking an adjustment of indebtedness under any applicable law or statute of the United States of America or of the State of Illinois.

In determining whether a payment default has occurred or whether a payment on the Bonds has been made under the Bond Ordinance, no effect shall be given to payments under any Bond Insurance Policy.

Enforcement by Trustee

Upon the happening and continuance of an Event of Default or an event which upon sufficient notice may become an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds, may proceed, and upon the written request of the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding of the Series with respect to which such Event of Default has happened shall proceed, to protect and enforce its rights and any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State of Illinois or under the Bond Ordinance by such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant or contract contained therein or in aid or execution of any power therein granted or for any legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce the rights aforesaid.

The Trustee is irrevocably appointed as true and lawful attorney-in-fact of the Bondholders with power and authority, at any time in its discretion:

(1) Pursuant to the Bond Ordinance or any law, after the happening of an Event of Default, (a) by suits, actions or proceedings in equity or at law, to enforce all rights of the Bondholders including the right to require the City and the officers thereof to fulfill any covenant or agreement with the Bondholders and to perform its and their duties under the Bond Ordinance, (b) to bring suit upon the Bonds, (c) by appropriate proceedings, to petition for the appointment of a receiver for the System, (d) by action or suit in equity, to require the City to account as if it were a trustee of an express trust for the Bondholders, or (e) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders; and

(2) To make and file in any proceeding for the adjustment of the debts of the City either in the respective names of the Bondholders or on behalf of all the Bondholders as a class, any proof of debt, amendment of proof of debt, petition or other document, to receive payment of any sums becoming distributable to the Bondholders, and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the City allowed in any such proceeding.

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law, for the protection or enforcement of any right under the Bond Ordinance or any right under law unless (a) such Holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, (b) the Holders of not less than ten percent in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or to institute such action, suit or proceeding in its name, and (c) the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Any Holder of an Outstanding Insured Bond may exercise rights with respect to defaults and remedies only upon the written consent of the Bond Insurer of such Insured Bond, which consent shall not be required if the rights of such Bond Insurer have ceased and terminated.

Except the giving of notice to Bondholders, each Bond Insurer shall be deemed to be the Holder of the Insured Bonds entitled to the benefits of its Bond Insurance Policy.

Defeasance

If the City shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Ordinance, then, at the option of the City expressed in a certificate of a City Officer delivered to the Trustee, the pledge of the Revenues and other moneys, securities and funds thereby pledged and the covenants, agreements and other obligations of the City to the Bondholders thereunder shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the City expressed in a certificate of a City Officer delivered to the Trustee, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the City all moneys or securities held by it pursuant to the Bond Ordinance which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds shall be deemed to have been paid if (1) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with the Trustee by or on behalf of the City either (a) moneys in an amount which shall be sufficient, or (b) Defeasance Obligations the principal of and the interest on which when due (without reinvestment thereof) will provide moneys which, together with the moneys, if any, on deposit with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 45 days, the City shall have given the Trustee, in form satisfactory to it, irrevocable instructions to mail, as soon as practicable, a notice to the holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of, and accrued interest on, said Bonds. Except as provided in the Bond Ordinance, neither the Defeasance Obligations or any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or interest on said Defeasance Obligations shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal or Redemption Price of the Bonds for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption.

No defeasance of a Bond shall be effective until the Trustee shall have received a verification report signed by an independent certified public accountant that the Defeasance Obligations and moneys to be deposited for such purpose are sufficient to pay the principal and Redemption Price of, and interest on, all Bonds with respect to which provision for payment is to be made by virtue of the deposit of such Defeasance Obligations and moneys.

Investment Regulations

Moneys in each of the Funds or Accounts, on instructions signed by a City Officer, shall be invested in Qualified Investments in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable: Qualified Investments purchased with funds on deposit in the Bond Reserve Fund shall have a term to maturity not greater than 10 years. Qualified Investments so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be a part of said Fund or Account and, except as may be otherwise expressly provided in the Bond Ordinance, the interest thereon and any profit arising on the sale thereof shall be credited to said Fund or Account, and any loss resulting on the sale thereof shall be charged to said Fund or Account. Qualified Investments so purchased as an investment of moneys in any such Fund or Account shall be sold at the best price obtainable whenever it shall be necessary so to do in order to provide moneys to make any transfer, withdrawal, payment or disbursement from said Fund or Account, or, in the case of any required transfer of moneys to another such Fund or Account may be transferred to that Fund or Account in lieu of the required moneys.

Concerning the Bond Insurers

All rights of any Bond Insurer shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within 60 days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

APPENDIX D

BOND INSURANCE

The following information is not complete and reference is made to **APPENDIX D** for a specimen of the financial guaranty insurance policy (the “Policy”) of Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”).

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that become Due for Payment but shall be unpaid by reason of Nonpayment (the “Insured Payments”). Insured Payments shall not include any additional amounts owing by the City solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

“Due for Payment” means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

“Nonpayment” means the failure of the City to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bonds also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bonds in respect of any Insured Payment by or on behalf of the City, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. (“Assured Guaranty”) is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty’s business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty’s financial strength is rated “AAA” by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “AAA” by Fitch, Inc. (“Fitch”) and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (unaudited), total liabilities of \$961,967,238 (unaudited), total surplus of \$399,571,264 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2006, Assured Guaranty had total admitted assets of \$1,248,270,663 (audited), total liabilities of \$962,316,898 (audited), total surplus of \$285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of \$916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Final Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on February 29, 2008); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Final Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Final Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “Bonds Insurance-The Insurer” shall be modified or superseded for purposes of this Final Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Final Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Final Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC’s web site at <http://www.sec.gov> and at AGL’s web site at <http://www.assuredguaranty.com>, from the SEC’s Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Final Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “Bonds Insurance”.



Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the

next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel

APPENDIX E
LEGAL OPINION

April 2, 2008

The City Council of the
City of Peru, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of \$6,040,000 principal amount of Electric System Revenue Refunding Bonds, Series 2008 (the “Bonds”) of the City of Peru (the “City”), a municipal corporation and a home rule unit of the State of Illinois. The Bonds are authorized and issued pursuant to Section 6 of Article VII of the Illinois Constitution of 1970 and under and in accordance with an ordinance adopted by the City Council of the City on March 22, 1993 and entitled: “Ordinance Authorizing the Issuance of Electric System Revenue Bonds of the City of Peru, Illinois,” as supplemented by an ordinance adopted by said City Council on March 3, 2008 and entitled: “Supplemental Ordinance Authorizing the Issuance of Electric System Revenue Refunding Bonds, Series 2008, of the City of Peru, Illinois” (said ordinance of March 22, 1993, as so supplemented, being herein called the “Ordinance”).

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated April 2, 2008. The Bonds bear interest from their date payable on November 1, 2008 and semiannually thereafter on each May 1 and November 1. The Bonds mature (without option of prior redemption) on May 1 in each of the following years in the respective principal amount set opposite each such year in the following table and the Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite each such year:

| <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------|-----------------------------|--------------------------|-------------|-----------------------------|--------------------------|
| 2010 | \$640,000 | 4.00% | 2016 | \$495,000 | 4.25% |
| 2011 | 665,000 | 4.00 | 2017 | 530,000 | 4.25 |
| 2012 | 700,000 | 4.00 | 2018 | 550,000 | 4.25 |
| 2013 | 380,000 | 4.00 | 2019 | 595,000 | 4.25 |
| 2014 | 415,000 | 4.00 | 2020 | 625,000 | 4.25 |
| 2015 | 445,000 | 4.25 | | | |

Under the terms of the Ordinance, the City has previously issued bonds that are currently outstanding in the principal amount of \$10,500,000 (herein called the “Outstanding Bonds”) and may by supplemental ordinance authorize and thereafter issue additional bonds (herein called “Additional Bonds”) for the purposes and upon the terms and conditions prescribed in the Ordinance. Additional Bonds, when issued, shall, equally with the Outstanding Bonds, the Bonds and with all Additional Bonds theretofore issued, be entitled to the benefit and security of the Ordinance, including the pledge of revenues hereinafter mentioned.

The Bonds are authorized for the primary purpose of refunding certain outstanding Electric System Revenue Bonds, Series 1998, of the City that were issued to refund bonds issued to finance the cost of acquisition and construction of certain hydroelectric facilities which, together with all other electric generation, supply and distribution facilities that the City has heretofore and may hereafter construct or acquire for its purposes, are herein referred to as the "System".

We are of the opinion that:

1. The City had and has the right and power to adopt the Ordinance and to authorize the Bonds. The Ordinance has been duly adopted, is presently in full force and effect and is binding upon the City in accordance with its terms as part of its contract with the owners of the Bonds. The Ordinance creates a valid pledge of Revenues (as defined in the Ordinance) and of other moneys and securities held thereunder for the benefit and security of the Outstanding Bonds, the Bonds (and any Additional Bonds that may be outstanding), subject to the application thereof in the manner provided in the Ordinance, including application for the payment of Operating Expenses (as defined in the Ordinance).

2. The Bonds have been duly authorized and issued, are enforceable in accordance with their terms and are valid and legally binding limited obligations of the City, payable from the revenues of the System and the other moneys and securities pledged therefor under the Ordinance. Neither the full faith and credit nor the taxing power of the City is pledged for the payment of the Bonds.

3. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted in the Ordinance to comply with these requirements.

4. The City has designated the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds and the Ordinance (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought.

Very truly yours,

LG/be