

**RESOLUTION 15-43**

**A RESOLUTION AUTHORIZING THE EXECUTION OF  
A PRE-UNDERWRITING LETTER AND  
UNDERWRITER DISCLOSURE LETTER**

**WHEREAS**, the Village has two Special Service Areas (SSA-1 and SSA-2) which were established to issue bonds payable from special taxes to provide funding for infrastructure development in the Deercrest and Clublands subdivisions more than 10 years ago, and

**WHEREAS**, the developer of those subdivisions failed and declared bankruptcy in 2007, and

**WHEREAS**, such bonds were intended to be paid from taxes on single family homes and townhouses to be built in those two subdivisions, and with the bankruptcy and subsequent national recession, much of the land in the two subdivisions remains vacant and unimproved, and

**WHEREAS**, a consortium of companies headed by Troy Mertz has come forward with a proposal to refund the SSA bonds, and to restart the stalled development in the two subdivisions; and,

**WHEREAS**, in connection with restarting the stalled developments, the Village will likely seek to refinance the existing SSA bond indebtedness currently encumbering the subdivisions through a refunding underwritten by William Blair & Co., and

**WHEREAS**, the current federal bonding rules require the execution of a pre-underwriting letter with the proposed underwriter as well as acknowledgement of certain federally required disclosures that the underwriter must make, and

**WHEREAS**, William Blair & Co., has submitted a pre-underwriting letter and disclosure letter, attached as Exhibits A and B respectively, and

**WHEREAS**, the corporate authorities find that it is in the best interests of the citizens of this Village to execute these two letters in order to take the next necessary step in the overall due diligence process of evaluating the proposal to refinance or refund the SSA bonds, and

**WHEREAS**, the letters do not impose financial requirements or risks on the Village, but rather serve to state future intentions, should the process continue to fruition,

**NOW THEREFORE, BE IT RESOLVED** by the Village of Antioch, Lake County, Illinois, as follows:

**SECTION ONE:** The Village Administrator is authorized to execute the Exhibit A pre-underwriting letter with William Blair & Co. and to take all steps necessary to implement the same as expeditiously as possible.

*Village of Antioch, Illinois*

**SECTION TWO:** The Village Administrator is authorized to execute the Exhibit B disclosure letter with William Blair & Co. and to take all steps necessary to implement the same as expeditiously as possible.

**SECTION THREE:** This resolution shall take effect immediately upon passage.

PASSED BY THE BOARD OF TRUSTEES OF THE VILLAGE OF ANTIOCH, ILLINOIS,  
ON THIS 4<sup>TH</sup> DAY OF MAY, 2015.

ATTEST:

  
\_\_\_\_\_  
LAWRENCE M. HANSON, MAYOR

  
\_\_\_\_\_  
LORI K. FOLBRICK, VILLAGE CLERK



# *William Blair*

April 17, 2015

Mr. Jim Keim  
Village Administrator  
874 Main Street  
Antioch, IL 60002

The Village of Antioch (the "Village") wishes to engage William Blair & Company ("William Blair") as the underwriter for a potential refunding of two Special Service Areas #1 and 2 (the "Bonds"). As an underwriter, William Blair may provide advice to Village on the structure, timing, terms, and other similar matters concerning the Bonds.

It is Village's present intention that William Blair underwrite the Bonds, subject to formal approval by the Village finalizing the structure of the Bonds and the execution of a mutually agreed upon bond purchase agreement. While the Village intends to engage William Blair as the underwriter, this engagement letter is preliminary in nature. It is nonbinding and may be terminated by either the Village or William Blair. Furthermore, this engagement letter does not restrict the Village from entering into the proposed or any other municipal securities transaction with any other underwriters or selecting an underwriting syndicate that does not include William Blair.

This engagement letter is delivered to you for the purpose of working with you as an underwriter on the transaction described above and we wish to define the nature of our relationship. We will be providing information for discussion purposes in anticipation of serving as an underwriter to you. In our capacity as underwriter, we will be acting as a principal in a commercial, arms' length transaction and not as a municipal advisor, financial advisor or fiduciary to you regardless of whether we or an affiliate has or is currently acting as such on a separate transaction. The information we provide to you is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934 and we encourage you to consult with your own legal, accounting, tax, financial and other advisors, as applicable, to the extent you deem appropriate.

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William Blair & Company

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Village of Antioch duly authorized official responsible for municipal finance

+1 312 236 1600 tel

William Blair & Company, L.L.C.  
222 West Adams Street  
Chicago, Illinois 60606

DISCLOSURE AND ISSUER ACKNOWLEDGEMENT OF UNDERWRITER'S NEW OBLIGATIONS TO STATE AND LOCAL GOVERNMENTS UNDER MSRB RULE G-17

Date: April 17, 2015

Mr. Jim Keim  
Village Administrator  
874 Main Street  
Antioch, IL 60002

RE: Village of Antioch Special Service Area Refunding Bonds

Dear Mr. Keim:

We are writing to provide you, as Underwriter of the proposed Village of Antioch, Special Service Area Refunding Bonds (the "Bonds"), with certain disclosures relating to the Bonds, as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012).<sup>1</sup>

William Blair & Company intends to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds. As part of our services as underwriter, William Blair & Company may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

I. Disclosures Concerning the Underwriters' Role:

(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.

(ii) The underwriter's primary role is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Village of Antioch (the "Issuer"). The underwriters have financial and other interests that differ from those of the Issuer.

(iii) Unlike a municipal advisor, the underwriters do not have fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

(iv) The underwriter has a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with its duty to sell the Bonds to investors at prices that are fair and reasonable.

(v) The underwriter will review the official statement for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.<sup>2</sup>

II. Disclosures Concerning the Underwriter's Compensation:

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<sup>1</sup> Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

<sup>2</sup> Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by an Issuer as a guarantee of the accuracy or completeness of the information in the official statement.

The underwriter will be compensated by an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

**III. Additional Conflicts Disclosures:**

William Blair & Company has not identified any additional potential or actual material conflicts that require disclosure.

The underwriter has recommended to the Issuer a financing structure that may be a “complex municipal securities financing” for purposes of MSRB Rule G-17. Attached is a description of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and reasonably foreseeable at this time.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer’s own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

We are required to seek your acknowledgement that you have received this letter. Accordingly, please send me an email to that effect or sign and return the enclosed copy of this letter to me at the address set forth below. Depending on the structure of the transaction that the Issuer decides to pursue, or if additional potential or actual material conflicts are identified, we may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

**ISSUER ACKNOWLEDGEMENT OF RECEIPT OF WILLIAM BLAIR’S “DISCLOSURE OF UNDERWRITER’S NEW OBLIGATIONS TO STATE AND LOCAL GOVERNMENTS UNDER MSRB RULE G-17”**

Mr. Jim Keim  
Village Administrator  
874 Main Street  
Antioch, IL 60002

RE: Village of Antioch, Special Service Area Refunding Bonds

Acknowledgment:

\_\_\_\_\_  
[Name of Authorized Issuer Official]

Date: \_\_\_\_\_

## Risk Disclosures Pursuant to MSRB Rule G-17

The following is a general description of the financial characteristics and security structures of fixed rate special tax refunding bonds (the "Bonds"), as well as a general description of certain financial risks that you should consider before deciding whether to issue the Bonds.

### **Financial Characteristics**

*Redemption.* The Bonds will be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. The Bonds will be subject to optional redemption only after the passage of a specified period of time, approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. Through the bond trustee, you will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. The Bonds will have a term maturity date which will be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

### **Security**

The Bonds will be revenue bonds backed by special service area taxes imposed upon property owners within SSA #7 and certain funds held by the Trustee.

#### *Revenue Bonds*

"Revenue Bonds" are debt securities that are payable only from a specific source or sources of revenues. Revenue Bonds are not a pledge of your full faith and credit and you are obligated to pay principal and interest on your Revenue Bonds only from the revenue source(s) specifically pledged to the bonds. Revenue Bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues will be derived from special service area taxes. You are not required to obtain voter approval prior to issuance of Revenue Bonds. If the specified sources of revenue become inadequate, a default in payment of principal or interest may occur.

### **Financial Risk Considerations**

Certain risks may arise in connection with your issuance of the Bonds, including some or all of the following:

#### *Redemption Risk*

Your ability to redeem the Bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

#### *Tax Compliance Risk*

The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the Bonds, which may result in an increase in the interest rate that you pay on the Bonds or the mandatory redemption of the Bonds. The IRS also may audit you or your Bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If

the Bonds are declared taxable, or if you are subject to audit, the market price of your Bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

Limited Source of Funds

The Bonds, together with the interest thereon, are limited obligations of the Village, payable solely from special taxes (the "Special Taxes") and the amounts on deposit in the various funds and accounts established and maintained under the Indenture. The Bonds are not general obligations of the Village and do not constitute an indebtedness of the Village within the meaning of any constitutional or statutory limitation. No holder of the Bonds shall have the right to compel the exercise of any taxing power of the Village for payment of principal thereof or interest or premium, if any, thereon (other than the levy of the Special Taxes as provided in the Bond Ordinance and the Indenture).

Overlapping Indebtedness

The Special Taxes and any penalties assessed for failure to pay such taxes will constitute a lien against the parcels of land on which they will be levied until such taxes are paid. Such lien will be on a parity with all special taxes and special assessments which may be levied by other agencies and is co-equal to and independent of the lien for general *ad valorem* real property taxes regardless of when they are imposed upon the same property. The Village, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or special taxes payable from all or a portion of the property within the Area.

The ability of an owner of land within the Area to pay the Special Taxes could be adversely affected if additional debt is issued or additional taxes or special taxes are levied which are payable by the owners of land within the Area. The imposition of additional liens, whether public or private, may reduce the ability or willingness of the landowners to pay the special taxes and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

Tax Delinquencies

In order to pay debt service on the Bonds, it is necessary that the Special Taxes within the Area be paid in a timely manner. The Special taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed by the Village to the property owners within the Area. Such Special Taxes bear the same penalties and interest for non-payment, as do general *ad valorem* property tax installments. The unwillingness or inability of a property owner to pay *ad valorem* property tax bills as evidenced by general *ad valorem* tax delinquencies may also indicate an unwillingness or inability to make Special Tax payments in the future. If owners fail to pay the Special Taxes when due there could be significant tax delinquencies.

Potential Delay and Limitations in Foreclosure Proceedings

The payment of Special Taxes and the ability of the Village to foreclose the lien of delinquent unpaid Special Taxes may be limited by bankruptcy, insolvency and other laws generally affecting creditors' rights or by the laws of the State of Illinois relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The ability of the Village to foreclose the lien of a delinquent unpaid Special Taxes payment may be limited with regard to properties in which the Federal Deposit Insurance Corporation ("FDIC") or any successor to the FDIC may acquire an interest. The FDIC currently does not have an interest in the land within the Area. However, if a lender takes a security interest in property in the Area and becomes insolvent, such a lender could fall under the jurisdiction of the FDIC. The FDIC could assert federal preemptive power to challenge any prior taxes, Special Taxes where it is in their interest to do so, including the requirement that local agencies obtain the consent of the FDIC in order to foreclose the lien of delinquent unpaid Special Taxes.

In addition, the Village should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and other factors beyond the control of the Area or the Village. In addition, the Illinois Constitution prescribes certain minimum redemption periods, which may be as long as three years, in the event of foreclosure. It should be assumed that, under current conditions, it is estimated that a judicial foreclosure of the lien of the Special Taxes could take several years from initiation of litigation to the lien foreclosure sale.

Bankruptcy

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount and priority of any Assessment lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by a bankruptcy court having jurisdiction. In addition, bankruptcy of a property owner could result in a delay in commencement and completion of tax sale or foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent Special Taxes not being paid in full.

Risk of Legislative and Judicial Changes

Future legislation, regulations, governmental or judicial interpretation of regulations or legislation or practices and procedures related to property tax, Special Taxes, levy, collections or distribution could have a material effect on the calculation or availability of the Special Taxes. There is no assurance that legislation will not be considered or enacted in the future, and unless provision is made in such legislation for special taxes generally in Illinois, the generation of the Special Taxes could be materially adversely affected.