

**RESOLUTION NO. 2019-04**

**RESOLUTION AUTHORIZING EXECUTION OF  
MUNICIPAL SECURITIES RULEMAKING BOARD RULE G17  
WITH FIFTH THIRD SECURITIES**

WHEREAS, in order to proceed with possible borrowing of funds to acquire necessary land and/or equipment for operations of the District, the Board of Trustees finds that it is in the best interest of the District to an agreement with a municipal bond underwriter in order to facilitate the issue of bonds or other debt instruments.

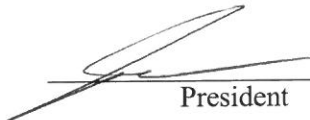
BE IT RESOLVED BY THE BOARD OF TRUSTEES, MILL CREEK WATER RECLAMATION DISTRICT, KANE COUNTY, ILLINOIS, as follows:

SECTION 1: That the District President is authorized to execute on behalf of the District the letter agreement with Fifth Third Securities which is attached hereto as Exhibit "A".

SECTION 2: This Resolution shall become effective from and after its passage as in accordance with law.

PASSED by the Board of Trustees of the Mill Creek Water Reclamation District, Kane County, Illinois, this 17th day of December, 2019.

AYES: 3 NAYS: 0 ABSENT: 0 ABSTAINING: 0 HOLDING OFFICE: 3

  
\_\_\_\_\_  
President

ATTEST:  
  
\_\_\_\_\_  
Clerk



December 2, 2019

James Dougherty, President  
Mill Creek Water Reclamation District  
P.O. Box 229  
Geneva, IL 60134

Re: Disclosures by Underwriter/Senior Managing Underwriter  
Pursuant to MSRB Rule G-17  
Mill Creek Water Reclamation District  
Debt Certificates, Series 2019 and Series 2020

Dear President Dougherty,

We are writing to provide you, as President of Mill Creek Water Reclamation District with certain disclosures relating to the captioned bond issue (Bonds), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25. Information about this Rule and Notice can be found on the MSRB's website at [www.msrb.org](http://www.msrb.org).

Fifth Third Securities, Inc. proposes 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, Fifth Third Securities, Inc. may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

**Our Role and Duties**

As an underwriter, we must deal fairly at all times with both municipal issuers and investors.

Our primary role as underwriter is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. An underwriter has financial and other interests that differ from those of the Issuer. As underwriter, we have 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.

We do not have a fiduciary duty to the Issuer under the federal securities laws and, therefore, are not required by federal law to act in the best interests of the Issuer without regard to our own financial or other interests.

We will review the official statement for the Bonds in accordance with, and as part of, our respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.

Fifth Third Securities is the trade name used by Fifth Third Securities, Inc., member FINRA, SIPC, a wholly owned subsidiary of Fifth Third Bank, a registered broker-dealer, and a registered investment advisor registered with the U.S. Securities and Exchange Commission (SEC). Registration does not imply a certain level of skill or training. Securities and investments offered through Fifth Third Securities, Inc.

Are Not FD Insured      Offer No Bank Guarantee      May Lose Value  
Are Not Insured By Any Federal Government Agency      Are Not A Deposit



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**Our Compensation**

We will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement and/or other document(s) 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 because we 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. To date we have not identified any additional potential or actual material conflicts that require disclosure.

**Disclosures Concerning Complex Municipal Securities Financing**

Because we have 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. Fifth Third Securities does not provide legal, accounting or tax advice.

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 sign and return the enclosed copy of this letter. 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.

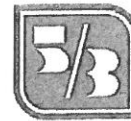
We look forward to working with you and Mill Creek Water Reclamation District in connection with the issuance of the Bonds. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aleks Granchalek'.

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Aleks Granchalek  
Managing Director, Public Finance  
Fifth Third Securities, Inc.



Fifth Third  
Securities

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Acknowledgement:

  
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James Dougherty  
President  
Mill Creek Water Reclamation District

Date: 12/6/19

cc: Bond Counsel  
Municipal Advisor

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## Fixed Rate Bonds

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

### Financial Characteristics

*Maturity and Interest.* Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

*Redemption.* Fixed Rate Bonds may 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. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period of time, often 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. 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. Fixed Rate Bonds with term maturity dates also may 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

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.

#### General Obligation Bonds

"General obligation bonds" are debt securities to which your full faith and credit is pledged to pay principal and interest. If you have taxing power, generally you will pledge to use your ad valorem (property) taxing power to pay principal and interest. Ad valorem taxes necessary to pay debt service on general obligation bonds may not be subject to state constitutional property tax millage limits (an unlimited tax general obligation bond). The term "limited" tax is used when such limits exist.

General obligation bonds constitute a debt and, depending on applicable state law, may require that you obtain approval by voters prior to issuance. In the event of default in required payments of interest or principal, the holders of general obligation bonds have certain rights under state law to compel you to impose a tax levy.

#### 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 may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. If the specified source(s) of revenue become



inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

Some revenue bonds (conduit revenue bonds) may be issued by a governmental issuer acting as conduit for the benefit of a private sector entity or a 501(c)(3) organization (the obligor). Conduit revenue bonds commonly are issued for not-for-profit hospitals, educational institutions, single and multi-family housing, airports, industrial or economic development projects, and student loan programs, among other obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the obligor. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the obligor defaults.

The description above regarding "Security" is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

### **Financial Risk Considerations**

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following (generally, the obligor, rather than you, will bear these risks for conduit revenue bonds):

#### **Issuer Default Risk**

You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

#### **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.

#### **Refinancing Risk**

If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

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Reinvestment Risk

You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as "negative arbitrage".

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.