**BOOK-ENTRY ONLY S&P Rating: “AA (stable)”; Moody’s Rating: “Aa3”**

**See “BOND RATINGS” herein.**

*Subject to compliance by the Authority, the Council, the Districts and the Counties with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Senior Bonds is excludible from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Under the laws of the State of Illinois, as presently enacted and construed, the interest on the Senior Bonds is exempt from the income taxes imposed by the State of Illinois pursuant to the Illinois Income Tax Act. See* ***“TAX MATTERS”*** *herein for a more complete discussion and* ***APPENDIX D*** *hereto for the form of opinion of Bond Counsel.*

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**

**$27,705,000  
Local Government Program Revenue Bonds,  
Series 2015A  
(Southwestern Illinois Flood Prevention District Council Project)**

**Dated: Date of Delivery Due: As shown on the inside cover**

The above-described bonds (the **“Senior Bonds”**) are issuable only as fully-registered bonds, in denominations of $5,000 or any integral multiples thereof. Interest on the Senior Bonds will be payable semiannually on each April 15 and October 15, beginning April 15, 2016. The Senior Bonds are payable only from the revenues derived from the payment of the principal and interest by the

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL,**

**MADISON, ST. CLAIR AND MONROE COUNTIES, ILLINOIS**

(the **“Council”**) on its Series 2015A Senior Local Government Securities (as described herein) which are to be purchased with the proceeds of the Senior Bonds. The Council anticipates paying the debt service on the Series 2015A Senior Local Government Securities from Flood Prevention District Revenues (as such term is defined herein), including a flood prevention retailers’ occupation tax and a flood prevention service occupation tax imposed by each County (as defined herein) at a rate of 0.25% of the gross receipts from all taxable sales as described in the Flood Prevention District Act of the State of Illinois, as amended, such tax being authorized for the improvement of levees along the Mississippi River in a three-county area.

The Senior Bonds shall not constitute a debt of the State of Illinois (the **“State”**), and shall not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Authority or the State, within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power, if any, of the Authority or the State is pledged to the payment of the principal of and interest on the Senior Bonds or other costs incidental thereto. The Authority has no taxing power. The Senior Bonds are special, limited obligations of the Authority, payable solely from the sources described in the Resolution (as such term is defined herein). The members of the Board of Directors of the Authority have determined that Section 7(f) of the SWIDA Act (as defined herein), relating to the moral obligation of the State, does **not** apply to the Senior Bonds.

The Series 2015A Senior Local Government Securities shall be limited obligations of the Council, payable solely from the sources described in the Senior Indenture (as such term is defined herein). The Series 2015A Senior Local Government Securities shall not constitute general obligations of the Council, the Counties, the Districts (each as identified herein) or the State and under no circumstances shall the Series 2015A Senior Local Government Securities be payable from, nor shall the holders thereof have any rightful claim to, any income, revenues, funds or assets of the Council other than those pledged as security for the payment of the Series 2015A Senior Local Government Securities.

The Senior Bonds are subject to redemption prior to maturity in certain circumstances. See **“THE SENIOR BONDS - Redemption Provisions”** herein.

The Senior Bonds are offered when, as and if issued by the Authority, subject to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the Authority by Chapman and Cutler LLP, Chicago, Illinois, and for the Council by Husch Blackwell LLP, St. Louis, Missouri, and by Thompson Coburn LLP, St. Louis, Missouri, as Disclosure Counsel. It is expected that the Senior Bonds will be available for delivery on or about December 30, 2015.

**PNC Capital Markets LLC**

**RBC Capital Markets Stern Brothers & Co.**

**Stifel, Nicolaus & Company, Incorporated Wells Fargo Securities**

The date of this Official Statement is December 3, 2015.

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**

**$27,705,000**

**Local Government Program Revenue Bonds,**

**Series 2015A**

**(Southwestern Illinois Flood Prevention District Council Project)**

**MATURITY SCHEDULE**

**Serial Senior Bonds**

| **Maturity (April 15)** | **Principal Amount** | **Rate** | **Price** | **CUSIP[[1]](#footnote-2)**  **84522Y** |
| --- | --- | --- | --- | --- |
| 2036 | $ 2,505,000 | 3.625% | 96.710% | NY3 |
| 2037 | 5,950,000 | 3.750% | 97.697% | NZ0 |

**Term Senior Bonds**

$19,250,000 3.875% Term Senior Bonds due April 15, 2040, Price 98.064%, CUSIP**\*** 84552Y PA3

**REGARDING USE OF THIS OFFICIAL STATEMENT**

No dealer, broker, salesman or other person has been authorized by the Authority or the Council to give any information or to make any representations with respect to the Senior Bonds offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Senior Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except for information concerning the Authority contained under the captions **“THE AUTHORITY”** and **“ABSENCE OF LITIGATION,”** as it relates to the Authority, none of the information in this Official Statement has been supplied or verified by the Authority, and the Authority makes no representation or warranty, express or implied, as to the accuracy or completeness of such information. Certain information set forth herein has been furnished by the Council and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Council since the date hereof. For the purpose of enabling the Underwriters to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the Council will deem the information in this Official Statement to be “final” as of its date. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SENIOR BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**The Senior Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or under any state securities or “blue sky” laws. The Senior Bonds are offered pursuant to an exemption from registration with the Securities and Exchange Commission. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary may be a criminal offense.**

**CAUTIONARY STATEMENTS REGARDING FORWARD-**

**LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “projected,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE **“BONDOWNERS’ RISKS”** SECTION OF THIS OFFICIAL STATEMENT. NEITHER THE COUNCIL NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED, OCCUR OTHER THAN AS INDICATED UNDER THE CAPTION **“CONTINUING DISCLOSURE**.**”**

|  |  |  |
| --- | --- | --- |
| **THE COUNTY OF**  **MADISON, ILLINOIS**  Alan J. Dunstan  Chairman | **THE COUNTY OF**  **ST. CLAIR, ILLINOIS**  Mark Kern  Chairman | **THE COUNTY OF**  **MONROE, ILLINOIS**  Terry Liefer  Chairman |

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL**

**Board of Directors**

Jim Pennekamp, President and Director

Paul Bergkoetter, Vice President and Director

John Conrad, Secretary/Treasurer and Director

Bruce Brinkman, Director

J. Thomas Long, Director

Debra Moore, Director

Ronald Motil, Director

Ronald Polka, Director

Alvin Parks, Jr., Director

**Administration**

Chuck Etwert, Chief Supervisor of Construction and the Works

**PROFESSIONAL SERVICES**

**Financial Advisor**

Columbia Capital Management, LLC

St. Louis, Missouri

**Council Counsel** **Bond Counsel and Authority’s Counsel**

Husch Blackwell LLP Chapman and Cutler LLP

St. Louis, Missouri Chicago, Illinois

**Disclosure Counsel Underwriters’ Counsel**

Thompson Coburn LLP Gilmore & Bell, P.C.

St. Louis, Missouri Edwardsville, Illinois

**Underwriters**

PNC Capital Markets LLC

Chicago, Illinois

RBC Capital Markets, LLC Stern Brothers & Co.

Chicago, Illinois St. Louis, Missouri

Stifel, Nicolaus & Company, Incorporated Wells Fargo Bank, National Association

St. Louis, Missouri Chicago, Illinois

**Registrar/Trustee**

UMB Bank, National Association

St. Louis, Missouri

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**OFFICIAL STATEMENT**

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**

**$27,705,000**

**Local Government Program Revenue Bonds,**

**Series 2015A**

**(Southwestern Illinois Flood Prevention District Council Project)**

**INTRODUCTION**

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

**Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (1) the Southwestern Illinois Development Authority (the **“Authority”**), (2) the Southwestern Illinois Flood Prevention District Council, Madison, St. Clair and Monroe Counties, Illinois (the **“Council”**), and (3) the Authority’s Local Government Program Revenue Bonds, Series 2015A (Southwestern Illinois Flood Prevention District Council Project) (the **“Senior Bonds”**) issued in the original principal amount of $27,705,000.

The Senior Bonds are being issued for the purpose of providing funds to purchase the Council’s Flood Prevention District Council Sales Tax Revenue Bonds, Series 2015A (the **“Series 2015A Senior Local Government Securities”** and, collectively with the other Local Government Securities issued on a parity therewith, the **“Senior Local Government Securities”**) issued in the original principal amount of $27,705,000. The Series 2015A Senior Local Government Securities are being issued to finance a portion of the costs of levee repair and flood protection (the **“Project”**), fund a debt service reserve fund for the Senior Local Government Securities, and pay costs of issuance.

For the definition of certain capitalized terms used herein and not otherwise defined, see **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS”** hereto.

**The Authority**

The Authority is a political subdivision, a body politic and a municipal corporation organized and existing under the Southwestern Illinois Development Authority Act of the State of Illinois (the **“State”**), 70 *Illinois Compiled Statutes*, 520/1 *et seq.*, as amended and supplemented (the **“SWIDA Act”**). See the caption **“THE AUTHORITY”** herein.

**The Council**

The Council is a governmental entity duly created and existing under the laws of the State pursuant to an intergovernmental cooperation agreement among the Madison County Flood Prevention District, Madison County, Illinois (the **“Madison County District”**), the St. Clair County Flood Prevention District, St. Clair County, Illinois (the **“St. Clair County District”**) and the Monroe County Flood Prevention District, Monroe County, Illinois (the **“Monroe County District”** and, together with the Madison County District and the St. Clair County District, the **“Districts”**). The Council was created to undertake the construction, financing, management, design and oversight of levee improvement projects. See the captions **“THE COUNCIL”** and **“THE PROJECT”** herein.

The boundaries of the Council are coterminous with the boundaries of the Counties of Madison, St. Clair and Monroe, Illinois (collectively, the **“Counties”**). The Counties are located across the Mississippi River from the City of St. Louis, Missouri and St. Louis County, Missouri and cover approximately 1,787 square miles. According to recent population estimates, over 560,000 people live within the boundaries of the Counties. The Counties are part of the St. Louis Metropolitan Statistical Area. See **“APPENDIX A - GENERAL, ECONOMIC AND FINANCIAL INFORMATION OF THE COUNTIES”** hereto.

The levee system located in Southwestern Illinois and described in this Official Statement (the **“Levee System”**) is a system of 85 miles of mainline and wing levees authorized by Congress and designed and built by the Corps of Engineers (the **“Corps”**). The Levee System protects an area known as the American Bottom from flooding by the Mississippi River. Located in the Counties along the eastern bank of the Mississippi River, the American Bottom is a broad floodplain area covering approximately 174 square miles. According to an analysis prepared in 2008 by the East-West Gateway Council of Governments (the **“EWGCG Report”**), the official council of governments and metropolitan planning organization for Greater St. Louis, the American Bottom contains approximately 156,000 residents and numerous heavy industries and businesses.

**The Senior Bonds**

The Senior Bonds are being issued pursuant to the SWIDA Act and a resolution duly adopted by the members of the Board of Directors of the Authority (the **“Resolution”**) on November 19, 2015. The proceeds of the Senior Bonds will be used to purchase the Series 2015A Senior Local Government Securities. The Authority has assigned and pledged the Series 2015A Senior Local Government Securities to the Trustee (as hereinafter defined) on behalf and for the benefit of the owners of the Senior Bonds.

A description of the Senior Bonds is contained in this Official Statement under the caption **“THE SENIOR BONDS**.**”** All references to the Senior Bonds are qualified in their entirety by the definitive form thereof and the provisions with respect thereto included in the Resolution. A description of the Series 2015A Senior Local Government Securities is contained in this Official Statement under the caption **“THE SENIOR LOCAL GOVERNMENT SECURITIES**.**”** All references to the Series 2015A Senior Local Government Securities are qualified in their entirety by the definitive form thereof and the provisions with respect thereto included in the Indenture of Trust dated as of November 23, 2010, as amended and supplemented by the First Supplemental Indenture of Trust dated as of December 1, 2015 (as so amended and supplemented, the **“Senior Indenture”**), between the Council and UMB Bank, National Association, St. Louis, Missouri (the **“Trustee”**), authorizing the issuance of the Senior Local Government Securities.

**Security for the Senior Bonds**

The Senior Bonds and the interest thereon are special, limited obligations of the Authority, payable solely from the revenues derived from the payment of the principal of and interest on the Series 2015A Senior Local Government Securities. The Authority has assigned and pledged the Series 2015A Senior Local Government Securities to the Trustee on behalf and for the benefit of the owners of the Senior Bonds. See **“SOURCES OF PAYMENT AND SECURITY FOR THE SENIOR BONDS”** herein.

Payments of the principal of and interest on the Series 2015A Senior Local Government Securities are payable from a pledge of the Flood Prevention District Revenues, which include a flood prevention retailers’ occupation tax and a flood prevention service occupation tax imposed by each County at a rate of 0.25% of the gross receipts from all taxable sales as described in the Flood Prevention District Act of the State, as amended, and any substitute therefor as provided by the State in the future (collectively, the **“Flood Prevention District Sales Taxes”**). From January 1, 2009, when the Flood Prevention District Sales Taxes became effective, through August 31, 2015, $75.2 million of Flood Prevention District Sales Taxes have been collected by the Counties, with approximately $11.3 million of such amount collected in 2014 and approximately $7.4 million of such amount collected in January through August of 2015. See **“FLOOD PREVENTION DISTRICT SALES TAXES”** herein. The pledge of the Flood Prevention District Revenues to the Series 2015A Senior Local Government Securities is on a parity with certain other obligations of the Council (the **“Senior Local Government Securities”**), including $94,195,000 principal amount of Senior Local Government Securities issued in 2010 ($84,075,000 of which remain outstanding) (the **“Series 2010 Senior Local Government Securities”**). Additional Senior Local Government Securities ranking on a parity with the outstanding Senior Local Government Securities may be issued in the future under the terms specified in the Senior Indenture. See **“THE SENIOR LOCAL GOVERNMENT SECURITIES”** herein. In addition, the Council has agreed to issue $\_\_\_\_\_\_\_\_ principal amount of other obligations (the **“Subordinate Local Government Securities”**) in January 2016, which Subordinate Local Government Securities will be issued on a basis subordinate to the Senior Local Government Securities. The holders of the Senior Bonds shall not have any interest in the Subordinate Local Government Securities. Additional Subordinate Local Government Securities may be issued in the future under the terms specified in the Subordinate Indenture (as defined herein). In addition, the Subordinate Indenture authorizes the Council to issue additional obligations which are payable on a subordinate basis to the Subordinate Local Government Securities.

“**Flood Prevention District Revenues**” is defined in the Senior Indenture as (a) the Flood Prevention District Sales Taxes, (b) certain interest subsidies which are pledged only to certain of the Series 2010 Senior Local Government Securities, and (c) any other revenues of the Districts and the Council which are permitted to be used to pay debt service on the Senior Local Government Securities or the Subordinate Local Government Securities.

A portion of the proceeds of the Series 2015A Senior Local Government Securities will be deposited into a commingled debt service reserve fund as security for the repayment of all of the Senior Local Government Securities.

**Bondowners’ Risks**

The Senior Bonds involve a certain degree of risk, and prospective purchasers should read the section captioned **“BONDOWNERS’ RISKS”** herein. The Senior Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Senior Bonds, should confer with their own legal and financial advisors and should be able to bear the risk of loss of their investment in the Senior Bonds before considering a purchase of the Senior Bonds.

**Definitions and Summaries of the Principal Documents**

Definitions of certain words and terms used in this Official Statement and a summary of certain provisions of the principal documents are included in this Official Statement in **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS”** hereto. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the Resolution, the Senior Indenture and the Continuing Disclosure Agreement are qualified in their entirety by reference to the definitive form of such documents, copies of which may be obtained from the Trustee at UMB Bank, National Association, Two South Broadway, Suite 600, St. Louis, Missouri 63102.

**Continuing Disclosure**

The Council covenants in the Continuing Disclosure Agreement to provide its audited financial statements and certain financial information within six months after the end of the Council’s fiscal year, commencing with the fiscal year ended September 30, 2015, and to provide notices of the occurrence of certain enumerated events. See **“CONTINUING DISCLOSURE”** herein.

**THE AUTHORITY**

**Organization and Powers**

The Authority is a political subdivision, a body politic and a municipal corporation duly organized and validly existing under the laws of the State, including particularly the SWIDA Act. The Authority is authorized under the SWIDA Act, among other things, to issue its revenue bonds and to use the proceeds thereof for the purpose of purchasing “local government securities,” within the meaning of the SWIDA Act.

THE SENIOR BONDS SHALL NOT CONSTITUTE A DEBT OF THE STATE, AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION, GENERAL OR MORAL, OR A PLEDGE OF THE FAITH OR LOAN OF CREDIT OF THE AUTHORITY OR THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE AUTHORITY OR THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SENIOR BONDS OR OTHER COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER. THE SENIOR BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE RESOLUTION. THE MEMBERS OF THE BOARD OF DIRECTORS OF THE AUTHORITY HAVE DETERMINED THAT SECTION 7(f) OF THE SWIDA ACT, RELATING TO THE MORAL OBLIGATION OF THE STATE OF ILLINOIS, DOES **NOT** APPLY TO THE SENIOR BONDS.

The Authority has a Board of Directors in which the powers of the Authority are vested, which consists of thirteen directors and two ex officio members. The address of the Authority is 1022 Eastport Plaza Drive, Collinsville, Illinois 62234. The phone number of the Authority is (618) 345-3400.

The Authority has three full-time employees, including Michael J. Lundy, who serves as Executive Director, and Joe Gasparich, who serves as Assistant Executive Director.

**Indebtedness of the Authority**

The Authority is authorized to issue and may issue other series of bonds and notes secured by instruments separate and apart from the Resolution. The owners of such bonds and notes will have no claim on the assets, funds or revenues of the Authority securing the Senior Bonds. The owners of the Senior Bonds will have no claim on the assets, funds or revenues of the Authority securing such other bonds and notes.

**THE COUNCIL**

**History of the Levee System**

The Levee System consists of approximately 80 miles of mainline and wing levees. Much of the system was built locally and then authorized by Congress to be raised and enlarged by the Corps. The Levee System protects an area known as the American Bottom from flooding by the Mississippi River and its tributaries. Located in the Counties along the eastern bank of the Mississippi River, the American Bottom is a broad floodplain area covering approximately 174 square miles. According to the EWGCG Report, the American Bottom contains approximately 156,000 residents and numerous heavy industries and businesses.

Much of the Levee System was built in the 1940s and improved during the 1950s and 1960s using design standards in place at that time. Authorized at an elevation of 52 feet on the St. Louis gage with two feet of freeboard, the levee improvements built by the Corps were designed, in accordance with standards and criteria then in place, to provide a 500-year level of protection (i.e., a 0.20% chance of occurring in any given year). The American Bottom has not been flooded by the Mississippi River since the Levee System was initially constructed.

The Levee System contains five component units that were built or improved by the Corps:

• Wood River levee (upper and lower)

• Chain of Rocks canal, levee and locks

• East St. Louis levee

• Prairie Du Pont levee

• Fish Lake levee

In response to certain natural disasters involving levees over the past 25 years, including the Midwest flood in 1993, which caused approximately 50 deaths and $15 billion in damage, and Hurricane Katrina in 2005, which caused approximately 1,800 deaths and $200 billion in damage, Congress and the responsible federal agencies have been revisiting and revising levee-related policies and programs.

As the Federal Emergency Management Agency (**“FEMA”**) updates flood insurance rate maps depicting the boundaries of Special Flood Hazard Areas (**“SFHAs”**) – those subject to inundation during a base flood (i.e., a flood with a 1% chance of occurring in any given year or 100-year flood) – certification requirements for crediting levees are, for the first time, being rigidly enforced. The past performance of a levee system will no longer be used as the basis for determining whether it would perform as intended; instead, that assessment will be based on a set of defined criteria. This change in certification requirements brought into question whether the Levee System would be credited as providing 100-year protection on updated flood maps. In August 2007, FEMA announced that the Levee System would likely not meet the minimum criteria for flood protection from the 100-year flood even though there had never been a breach or structural failure of the Levee System resulting in flooding of the levee-protected area.

**Impact of Loss of FEMA Accreditation of the Levee System**

An area impacted by an accredited levee is shown as a moderate-risk area and labeled “Zone X” on FEMA’s Flood Insurance Rate Map (**“FIRM”**). In these areas, FEMA regulations do not have a mandatory flood insurance purchase requirement. If a levee is not accredited, however, an area will be mapped as a SFHA, requiring property owners in this area securing a loan from a federally regulated financial institution to have flood insurance.

Flood insurance premiums offered at standard rates in SFHAs are much higher than for properties protected by FEMA-accredited levees. The EWGCG Report estimated that total increases in insurance premiums would be about $50 million annually from the three-county area protected by the Levee System. The EWGCG Report identified that FEMA deaccreditation of the Levee System might also trigger very restrictive changes in local building regulations and decreases in the value of property, negatively impacting the potential for development of the Counties.

**The Flood Prevention District Act and the Districts**

In response to the safety and economic concerns surrounding FEMA’s actions to deaccredit the Levee System and at the urging of local leaders of Southwestern Illinois, the General Assembly of the State of Illinois passed and the Governor of Illinois signed into law in 2008 the Flood Prevention District Act, 70 ILCS 750/1 *et seq.* (as amended, the **“Flood Prevention Act”**). The Flood Prevention Act gave the Counties the authority to create flood prevention districts for the purpose of performing emergency levee repair and flood prevention in order to prevent the loss of life or property and the authority to impose the Flood Prevention District Sales Taxes. Each District is coterminous with the boundaries of the County in which the District is situated and is governed by a board of three commissioners who are appointed by the chairman of the county board in which the District is situated.

**Creation of the Council by Intergovernmental Agreement**

Pursuant to the Flood Prevention Act, the Districts were given the power to join together through an intergovernmental agreement to provide any services described in the Flood Prevention Act, including the issuance of bonds. The Districts determined that it was in the best interest of the Counties and the public for the Districts to join together to complete the Project in concert, instead of trying to improve the Levee System as three separate projects with each project approved by a different governing body. The Districts entered into An Intergovernmental Agreement to Finance, Design, and Manage the Rebuilding of the Levee Systems in Southwestern Illinois dated as of June 11, 2009, as amended by the Amendment to Intergovernmental Agreement dated as of November 23, 2010 and the Amendment to Intergovernmental Agreement dated as of December 1, 2015 (as so amended, the **“District/Council Intergovernmental Agreement”**) to create the Council in order to coordinate the design, construction, financing, management and oversight of the levee improvement project. The Council is governed by a Board of Directors, which has no more than nine voting members, comprised of the three commissioners of each District. The Board of Directors elects a President, Vice President and Secretary/Treasurer, with each officer from a different District, to serve a one-year term. The current officers of the Board of Directors of the Council are as follows:

| **Name** | **Title** |
| --- | --- |
| Jim Pennekamp | President |
| Paul Bergkoetter | Vice President |
| John Conrad | Secretary/Treasurer |

Pursuant to the District/Council Intergovernmental Agreement, the Council hires a Chief Supervisor of Construction and the Works (the **“Chief Supervisor”**) to manage the activities of the Council, including coordinating the restoration of the levees. On January 15, 2014, Chuck Etwert became the Chief Supervisor. Mr. Etwert is licensed as a Professional Engineer in Missouri and earned a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Engineering Management, both from the Missouri University of Science & Technology. He has over 40 years of engineering experience working with governmental agencies and consulting firms. Approximately 23 of those years were at progressively more responsible positions at the Metropolitan St. Louis Sewer District, approximately 14 of which were as Assistant Executive Director or Acting Executive Director. Currently, Mr. Etwert is the only employee of the Council. EWGCG serves as fiscal agent for the Council, providing payroll, accounting, billing and procurement support.

Pursuant to the District/Council Intergovernmental Agreement, the Council is required to adopt its annual budget on or before July 31 of each year for the fiscal year beginning October 1, to allow time for the budget to be reviewed and approved by each District and each County. Also, the financial records of the Council must be audited by a certified public accountant at least once per fiscal year. The District/Council Intergovernmental Agreement also provides for the issuance of bonds and the application of the Flood Prevention District Revenues as described under the caption **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Flow of Funds”** herein.

The District/Council Intergovernmental Agreement will end on the date on which all bonds or other obligations issued by the Council, including the Senior Bonds, have been paid or discharged in full. No District may withdraw from the District/Council Intergovernmental Agreement unless all bonds or other obligations issued by the Council, including the Senior Bonds, have been paid or discharged in full.

**Status of Reconstruction of the Levee System**

Since 2010, the Council has undertaken nine flood protection projects at a total estimated construction cost of $61.2 million. Construction is complete on four projects with three additional projects estimated to be completed by December 31, 2015. The Council expects the remaining two projects to be completed by August 2016. By that time, prior to the planned issuance of updated flood maps, the Council will have completed all projects required for certification of the Levee System.

**Process to Maintain FEMA Accreditation of the Levee System**

The Council and its consultants are coordinating with FEMA with the intent of providing all required certification data in advance of new flood maps being developed so as to maintain accreditation of the Levee System on the updated maps. Given current construction progress, the Council expects the continued accreditation of its Levee System to be confirmed by FEMA by early 2017.

**Additional Projects to Achieve 500-Year Flood Protection Levels**

In February 2015, the Council’s board of directors approved a resolution establishing the Council’s official intent to restore the Levee System to a 500-year level of flood prevention. The Council is actively working with the Corps to identify locally-funded projects that would qualify for work-in-kind credit toward a future federal project that provides more than the 100-year level of protection (with 3 feet of freeboard) needed for certification and accreditation. The Council expects to use approximately $15 million of cash-on-hand plus a portion of the proceeds of the Senior Bonds and the Subordinate Bonds to fund the most cost effective and highest priority 500-year level of protection projects within the Levee System. The Council expects the balance of 500-year level of protection projects to be financed by the Corps using federal moneys.

**County/Council Intergovernmental Agreements**

The Council has also entered into a separate intergovernmental agreement with each County and its related District (as amended, referred to herein collectively as the **“County/Council Intergovernmental Agreements”**). Pursuant to the County/Council Intergovernmental Agreements, the Counties have agreed that the Flood Prevention District Sales Taxes will be transmitted by the Comptroller of the State directly to the Trustee for deposit into the Council Sales Tax Fund to be applied as provided in the Senior Indenture and the Subordinate Indenture. See the captions **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Flow of Funds”** and **“FLOOD PREVENTION DISTRICT SALES TAXES”** herein.

**Maintenance of the Levee System**

Once improvements to the Levee System are completed, it is the responsibility of various regional drainage and levee districts to operate and maintain such improvements. The Council is **not** obligated to operate or maintain or provide money to operate or maintain the improvements once completed.

**THE SENIOR BONDS**

*The following is a summary of certain terms and provisions of the Senior Bonds. Reference is hereby made to the Senior Bonds and the provisions with respect thereto in the Resolution for the detailed terms and provisions thereof.*

**Authorization; Description of the Senior Bonds**

The Senior Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State, including particularly the SWIDA Act. The Senior Bonds will be issued as fully-registered bonds, without coupons. Purchases of the Senior Bonds will be made in book-entry form only (as described below) in denominations of $5,000 or any integral multiples thereof. Purchasers of the Senior Bonds will not receive certificates representing their interests in the Senior Bonds purchased. The Senior Bonds will be dated as of the date of initial issuance thereof, and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Senior Bonds will bear interest at the rates per annum set forth on the inside cover page hereof, which interest will be payable semiannually on April 15 and October 15 in each year, beginning on April 15, 2016. Interest on the Senior Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

**Registration, Transfer and Exchange of Senior Bonds**

The Authority shall cause books (the **“Bond Register”**) for the registration and for the transfer of the Senior Bonds as provided in the Resolution to be kept at the corporate trust office of UMB Bank, National Association (the **“Registrar”**) in St. Louis, Missouri.

Upon surrender for transfer of any Senior Bond at the principal corporate trust office of the Registrar duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Registrar duly executed by, the registered owner thereof or his, her or its attorney duly authorized in writing, the Authority shall execute and the Registrar shall authenticate, date and deliver in the name of the transferee or transferees a new fully registered Senior Bond or Senior Bonds of the same maturity and interest rate, of authorized denomination or denominations, for a like aggregate principal amount. Any fully registered Senior Bond or Senior Bonds may be exchanged at said office of the Registrar for a like aggregate principal amount of the Senior Bond or Senior Bonds of the same maturity and interest rate, of other authorized denominations. The execution by the Authority of any fully registered Senior Bond shall constitute full and due authorization of such Senior Bond, and the Registrar shall thereby be authorized to authenticate, date and deliver such Senior Bond; *provided*, *however*, that the principal amount of the outstanding Senior Bonds authenticated by the Registrar shall never exceed the authorized aggregate principal amount of the Senior Bonds, less previous retirements.

The Registrar shall not be required to transfer or exchange any Senior Bond during the period of fifteen (15) days next preceding any interest payment date on such Senior Bond, nor to transfer or exchange any Senior Bond after notice calling such Senior Bond for redemption prior to maturity has been mailed nor during the period of fifteen (15) days next preceding mailing of a notice of redemption of any Senior Bonds prior to maturity.

The person in whose name any Senior Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and the payment of the principal of or interest on any Senior Bond shall be made only to or upon the order of the registered owner thereof or his, her or its legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Senior Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Senior Bonds, but the Authority or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Senior Bonds, except in the case of the issuance of a Senior Bond or Senior Bonds for the unredeemed portion of a Senior Bond surrendered for redemption prior to maturity.

**Redemption Provisions**

***Optional Redemption.*** The Senior Bonds shall be subject to redemption prior to maturity at the option of the Authority from any legally available funds, in whole or in part on any date on and after April 15, 2026, and if in part, from such maturity or maturities as the Authority may determine, and if less than an entire maturity, in integral multiples of $5,000, selected by the Registrar as provided in the Resolution and described below under the caption **“Partial Redemption**,**”** at the redemption price of the principal amount to be redeemed.

***Mandatory Sinking Fund Redemption.*** The Senior Bonds maturing on April 15, 2040 are subject to mandatory sinking fund redemption in part (less than all of the Senior Bonds of a single maturity to be selected by the Registrar as provided in the Resolution), on April 15 of the years and in the respective aggregate principal amounts, at a redemption price of 100% of the principal amount thereof being redeemed, as follows:

Senior Bonds Maturing April 15, 2040

| Year | Principal Amount |
| --- | --- |
| 2038 | $6,175,000 |
| 2039 | 6,415,000 |
| 2040\* | 6,660,000 |
| \_\_\_\_\_\_\_\_\_\_\_\_\_  \* Final Maturity |  |

If Senior Bonds of any maturity are subject to mandatory sinking fund redemption and if such Senior Bonds shall have been called for optional redemption in part, then the amount of the remaining annual sinking fund installments (including the final maturity amount) for such maturity shall be reduced in such order as shall be specified by the Authority.

***Partial Redemption of Senior Bonds.*** The Senior Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples of $5,000. For purposes of any redemption of less than all of the outstanding Senior Bonds of a single maturity, the particular Senior Bonds or portions of Senior Bonds to be redeemed prior to maturity shall be selected not more than sixty (60) days prior to the date fixed for redemption by the Registrar from the outstanding Senior Bonds of such maturity by lot, and which may provide for the selection for redemption of Senior Bonds or portions of Senior Bonds in principal amounts of $5,000 and integral multiples of $5,000 per maturing value.

***Notice of Redemption.*** Unless waived by any owner of Senior Bonds to be redeemed prior to maturity, notice of the call for any such redemption prior to maturity shall be given by the Registrar on behalf of the Authority by mailing the redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Senior Bond or Senior Bonds to be redeemed at the address shown on the Registrar or at such other address as is furnished in writing by such registered owner to the Registrar.

On or prior to any date fixed for redemption, the Authority shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all Senior Bonds or portions of Senior Bonds which are to be redeemed prior to maturity on that date. With respect to an optional redemption of any Senior Bonds, unless moneys sufficient to pay the principal of and interest on the Senior Bonds to be redeemed shall have been received by the Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Authority, state that said redemption shall be conditional upon the occurrence of any event, including upon the receipt of such moneys by the Registrar on or prior to the date fixed for redemption. If such condition is not satisfied, such notice shall be of no force and effect, the Authority shall not redeem such Senior Bonds and the Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Senior Bonds will not be redeemed.

Notice of redemption having been given as described above, the Senior Bonds or portions of Senior Bonds so to be redeemed prior to maturity shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, except in the case of a conditional call pursuant to which the notice of redemption is rescinded, and from and after such date (unless the Authority shall default in the payment of the redemption price) such Senior Bonds or portions of Senior Bonds shall cease to bear interest. Upon surrender of such Senior Bonds for redemption in accordance with said notice, such Senior Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on and prior to the date fixed for redemption shall be payable as provided in the Resolution for the payment of interest. Upon surrender for any partial redemption of any Senior Bond, there shall be prepared for the registered owner a new Senior Bond or Senior Bonds of the same maturity and interest rate in the amount of the unpaid principal. All Senior Bonds which have been redeemed shall be cancelled and destroyed by the Registrar in accordance with its customary procedures, and shall not be reissued.

**Book-Entry Only System**

***General.*** The Senior Bonds are available in book-entry only form. Purchasers of the Senior Bonds will not receive certificates representing their interests in the Senior Bonds. Ownership interests in the Senior Bonds will be available to purchasers only through a book-entry system (the **“Book-Entry System”**) maintained by The Depository Trust Company (**“DTC”**), New York, New York.

**The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The Authority and the Council take no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

DTC will act as securities depository for the Senior Bonds. The Senior Bonds will be issued as fully-registered securities 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 Senior Bond certificate will be issued and will be deposited with DTC or the Registrar as its agent.

***DTC and its Participants.*** 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 3.5 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 securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities 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 a Standard & Poor’s rating of AA+. 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 and www.dtc.org.

***Purchases of Ownership Interests.*** Purchases of Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Senior Bonds on DTC’s records. The ownership interest of each actual purchaser of each Senior 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 Senior 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 Securities, except in the event that use of the book-entry system for the Senior Bonds is discontinued.

***Transfers.*** To facilitate subsequent transfers, all Senior 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 Senior 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 Senior Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Senior 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.

***Notices.*** 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 Senior Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Senior Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Senior Bond documents. For example, Beneficial Owners of Senior Bonds may wish to ascertain that the nominee holding the Senior 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 registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Senior 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.

***Voting.*** Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Senior Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

***Payments of Principal, Redemption Price and Interest.*** Payments of redemption proceeds, principal of, premium, if any, and interest on the Senior 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 detail information from the Authority or the Trustee, on the 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 securities 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 Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Senior Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

***Discontinuation of Book-Entry System.*** DTC may discontinue providing its services as depository with respect to the Senior Bonds at any time by giving reasonable notice to the Authority or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Senior Bond certificates are required to be printed and delivered.

If the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Senior Bonds from DTC (or such successor securities depository), Senior Bond certificates may be delivered to Beneficial Owners in the manner described in the Resolution.

**SOURCES OF PAYMENT AND SECURITY FOR THE SENIOR BONDS**

**Limited Obligations; Sources of Payment**

The Senior Bonds and the interest thereon shall be special, limited obligations of the Authority, payable only from the revenues derived from the payment of the principal of and interest on the Series 2015A Senior Local Government Securities. The Authority has assigned and pledged the Series 2015A Senior Local Government Securities to the Registrar on behalf and for the benefit of the owners of the Senior Bonds. THE SENIOR BONDS SHALL NOT CONSTITUTE A DEBT OF THE STATE, AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION, GENERAL OR MORAL, OR A PLEDGE OF THE FAITH OR LOAN OF CREDIT OF THE AUTHORITY OR THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE AUTHORITY OR THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SENIOR BONDS OR OTHER COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER. THE SENIOR BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE RESOLUTION. THE MEMBERS OF THE BOARD OF DIRECTORS OF THE AUTHORITY HAVE DETERMINED THAT SECTION 7(f) OF THE SWIDA ACT, RELATING TO THE MORAL OBLIGATION OF THE STATE OF ILLINOIS, DOES **NOT** APPLY TO THE SENIOR BONDS.

THE SERIES 2015A SENIOR LOCAL GOVERNMENT SECURITIES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO OWNER OF THE SERIES 2015A SENIOR LOCAL GOVERNMENT SECURITIES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS FOR PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON ANY OF THE SERIES 2015A SENIOR LOCAL GOVERNMENT SECURITIES.

Pursuant to a depository agreement (the **“Depository Agreement”**) between the Authority and the Registrar, the Authority has assigned and pledged all of its right, title and interest in and to, including without limitation its rights to payment of any and all amounts which may become due under, (a) the Series 2015A Senior Local Government Securities, (b) the Local Purchase Agreement (except the right of the Authority to receive certain fees and expenses), (c) the debt service fund established with the Registrar pursuant to the Depository Agreement, (d) all other rights and remedies to enforce such payment of any amount due to the Authority (except the right to exercise any such right or remedy to enforce performance of any right which the Authority has not assigned or pledged under the Depository Agreement), and (e) all other property from time to time assigned or pledged by the Authority to the Registrar on behalf and for the benefit of the owners of the Senior Bonds as security for the due and punctual payment of the principal of and interest on the Senior Bonds.

**THE SENIOR LOCAL GOVERNMENT SECURITIES**

**General**

The Series 2015A Senior Local Government Securities are being issued pursuant to the Senior Indenture to finance a portion of the costs of the Project, fund a debt service reserve fund for the Senior Local Government Securities, and pay costs of issuance of the Senior Bonds and the Series 2015A Senior Local Government Securities. In addition to approval by the Council, the issuance of the Series 2015A Senior Local Government Securities have been approved by an ordinance duly adopted by each of the Counties and a resolution duly adopted by each of the Districts. The Series 2015A Senior Local Government Securities are being issued on a parity with certain Senior Local Government Securities previously issued in 2010 and will be on a senior basis with respect to certain Subordinate Local Government Securities expected to be issued shortly after the Series 2015A Senior Local Government Securities.

The Council pledges the Flood Prevention District Revenues to the Trustee on behalf of the owners of the Senior Local Government Securities, as provided in the Senior Indenture, for the prompt payment of the principal of, premium, if any, and interest on the Senior Local Government Securities when due. The pledge of the Flood Prevention District Revenues to the Subordinate Local Government Securities is on a subordinate basis to the Senior Local Government Securities, whether now outstanding or hereafter issued. **“Flood Prevention District Revenues”** is defined in the Senior Indenture as (a) the Flood Prevention District Sales Taxes, (b) certain interest subsidies which are pledged only to the certain of the Series 2010 Senior Local Government Securities, and (c) any other revenues of the Districts and the Council which are permitted to be used to pay debt service on Senior Local Government Securities.

THE SERIES 2015A SENIOR LOCAL GOVERNMENT SECURITIES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO OWNER OF THE SERIES 2015A SENIOR LOCAL GOVERNMENT SECURITIES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS FOR PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON ANY OF THE SERIES 2015A SENIOR LOCAL GOVERNMENT SECURITIES.

**Trustee Intercept of Flood Prevention District Sales Taxes**

Pursuant to the County/Council Intergovernmental Agreements, the Counties have agreed that the Flood Prevention District Sales Taxes will be transmitted by the Comptroller of the State directly to the Trustee for deposit into the Council Sales Tax Fund to be applied as provided in the Senior Indenture and the Subordinate Indenture. See the caption **“Flow of Funds”** below.

**Flow of Funds**

Pursuant to the Senior Indenture, a Council Sales Tax Fund is established as a trust fund to be held by the Trustee. Pursuant to the Subordinate Indenture a Council Sales Tax Fund is established as a trust fund to be held by the Subordinate Trustee. Pursuant to each Council/County Intergovernmental Agreement, each County has directed the Comptroller of the State of Illinois, for the period during which any of the Local Government Securities are Outstanding, to pay the respective County’s Flood Prevention District Sales Taxes directly to the Trustee or, if no Senior Local Government Securities remain outstanding, to the Subordinate Trustee, rather than to the respective County. All other Flood Prevention District Revenues legally available to pay debt service on the Local Government Securities shall also be deposited in Council Sales Tax Fund under the Senior Indenture or, if no Senior Local Government Securities are Outstanding, in the Council Sales Tax Fund under the Subordinate Indenture, in each case as and when received. So long as any Senior Local Government Securities remain outstanding, the Trustee shall deposit the Flood Prevention District Sales Taxes and other Flood Prevention District Revenues in the Council Sales Tax Fund under the Senior Indenture and apply the funds as set forth in the Senior Indenture, including transfers of funds for the payment of debt service on the Subordinate Bonds and to replenish the Subordinate Reserve Fund. Upon receipt by the Subordinate Trustee of Flood Prevention District Sales Taxes from the Comptroller of the State of Illinois, the receipt of other Flood Prevention District Revenues or the receipt of amounts transferred to the Subordinate Trustee by the Trustee, the Subordinate Trustee shall deposit such amounts in the Council Sales Tax Fund under the Subordinate Indenture. The following sub-funds have been created in the Council Sales Tax Fund under the Senior Indenture: “Senior Bond Fund,” the “Senior Reserve Fund,” the “Rebate Fund,” the “Council Administrative Fund” and the “Surplus Fund.” The following sub-funds have been created in the Council Sales Tax Fund under the Subordinate Indenture: “Subordinate Lien Bond Fund,” the “Subordinate Reserve Fund,” the “Rebate Fund,” the “Council Administrative Fund” and the “Surplus Fund.” The Council Administrative Fund and the Surplus Fund created by the Subordinate Indenture will remain dormant until no Senior Local Government Securities remain Outstanding.

The use of funds under the Senior Indenture and the Subordinate Indenture are substantially similar, with the primary difference being the deletion of subsections (a) – (c) below if no Senior Local Government Securities remain outstanding. Amounts deposited in the applicable Council Sales Tax Fund are to be transferred to the following accounts in the order and at the times as follows:

() immediately upon receipt, the interest subsidies which are pledged only to certain of the Series 2010 Senior Local Government Securities shall be deposited into the Bond Fund Accounts of the Senior Bond Fund for such Series 2010 Senior Local Government Securities;

(b) immediately upon receipt, to the extent not previously funded pursuant to subsection (a) above, into each Bond Fund Account in the Senior Bond Fund an amount equal to one-sixth of the interest becoming due on the next succeeding interest payment date on all Outstanding Senior Local Government Securities of the applicable series issued and one-twelfth of the principal becoming due on the next succeeding principal maturity or mandatory redemption date of all Outstanding Senior Local Government Securities of the applicable series issued, plus an amount necessary to make up for any existing deficiencies in such Bond Fund Account in the Senior Bond Fund caused by prior deposits that did not fully meet the requirements of this provision. If there are insufficient funds to make such deposits in any month the Trustee shall make deposits to each Bond Fund Account in the Senior Bond Fund so that each Bond Fund Account receives an equal percentage of the amount otherwise required to be deposited thereto pursuant to this subsection. For purposes of this paragraph (b), the phrase “next succeeding interest payment date” means the next interest payment date occurring more than 15 days after the date of such deposit, and the phrase “next succeeding principal maturity or mandatory redemption date” means the next principal maturity date or mandatory redemption date occurring more than 15 days after the date of such deposit. Any moneys deposited into the Council Sales Tax Fund during the month in which any series of Senior Local Government Securities are issued shall be treated as received on the first Business Day of the first month following the date of issuance of such series of the Senior Local Government Securities. During the period from the date of issuance of a series of Senior Local Government Securities until the first interest payment date with respect to such series of the Senior Local Government Securities, the amount “one-sixth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first Interest Payment Date for such series of Senior Local Government Securities, and the amount “one-twelfth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first principal maturity or mandatory redemption date for such series of Senior Local Government Securities;

(c) immediately upon receipt, into each account in the Senior Reserve Fund an amount which, together with the moneys then on deposit in such account of the Senior Reserve Fund (taking into account the principal amount of any Reserve Fund Credit Instrument applicable thereto), equals the Reserve Requirement applicable thereto or an amount necessary to reimburse the provider of any Reserve Fund Credit Instrument;

(d) immediately upon receipt, into each Bond Fund Account in the Subordinate Lien Bond Fund an amount equal to one-sixth of the interest becoming due on the next succeeding interest payment date on all Outstanding Subordinate Local Government Securities of the applicable series and one-twelfth of the principal becoming due on the next succeeding principal maturity or mandatory redemption date of all Outstanding Subordinate Local Government Securities of the applicable series, plus an amount necessary to make up for any existing deficiencies in such Bond Fund Account in the Subordinate Lien Bond Fund caused by prior deposits that did not fully meet the requirements of this provision. If there are insufficient funds to make such deposits in any month the Trustee shall make deposits to each Bond Fund Account in the Subordinate Lien Bond Fund so that each Bond Fund Account receives an equal percentage of the amount otherwise required to be deposited thereto pursuant to this subsection. For purposes of this paragraph (d), the phrase “next succeeding interest payment date” means the next interest payment date occurring more than 15 days after the date of such deposit, and the phrase “next succeeding principal maturity or mandatory redemption date” means the next principal maturity date or mandatory redemption date occurring more than 15 days after the date of such deposit. Any moneys deposited into the Council Sales Tax Fund during the month in which any series of Subordinate Local Government Securities are issued under the Subordinate Indenture shall be treated as received on the first Business Day of the first month following the date of issuance of such series of the Subordinate Local Government Securities. During the period from the date of issuance of a series of Subordinate Local Government Securities until the first interest payment date with respect to such series of the Subordinate Local Government Securities, the amount “one-sixth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first Interest Payment Date for such series of Subordinate Local Government Securities, and the amount “one-twelfth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first principal maturity or mandatory redemption date for such series of Subordinate Local Government Securities;

(e) immediately upon receipt, into each account in the Subordinate Reserve Fund an amount which, together with the moneys then on deposit in such account of the Subordinate Reserve Fund (taking into account the principal amount of any Reserve Fund Credit Instrument applicable thereto), equals the reserve requirement applicable thereto or an amount necessary to reimburse the provider of any Reserve Fund Credit Instrument;

(f) immediately upon receipt, into the Rebate Fund such amount as is required to be deposited therein pursuant to any tax certificate or agreement executed and delivered relating to any Senior Local Government Securities or any Subordinate Local Government Securities (or, in each instance, any bonds or other obligations issued to purchase the same);

(g) immediately upon receipt, into the Council Administrative Fund the amount necessary to provide for all expenses of the Council for such Fiscal Year as set forth in the approved Council budget, as such budget may have theretofore been amended; and

(h) on each April 15 and October 15, into the Surplus Fund.

**Senior Bond Fund**

The Senior Bond Fund is a trust fund to be held by the Trustee in trust for the benefit of the holders of the Senior Local Government Securities. Created within the Senior Bond Fund are accounts for each series of Senior Local Government Securities. Commencing with the first month following the date of issuance of the Series 2015A Senior Local Government Securities, the Trustee shall deposit into the Bond Fund Account for the Senior Bonds, immediately upon receipt, the amounts set forth and described in section (a) and (b) under the caption **“Flow of Funds”** above.

In computing the fractional amount to be set aside each month in each Bond Fund Account, the fraction shall be so computed that a sufficient amount will be set aside in said Account and will be available for the prompt payment of such principal of and interest on the relative series of Senior Local Government Securities and shall be not less than one-sixth of the interest becoming due on the next succeeding interest payment date and not less than one-twelfth of the principal becoming due on the next succeeding principal payment date on the relative series of Senior Local Government Securities until there is sufficient money in each Bond Fund Account to pay such principal or interest, or both.

The Trustee shall also deposit in each Bond Fund Account in any month an amount necessary to make up for any existing deficiencies in the Bond Fund Account caused by prior deposits that did not fully meet the requirements of the Senior Indenture described under this caption.

If there are insufficient funds to make such deposits in any month the Trustee shall make deposits to each Bond Fund Account so that each Bond Fund Account receives an equal percentage of the amount otherwise required to be deposited thereto pursuant to the Senior Indenture and described under this caption.

Except during the month of April, payments to the Bond Fund Accounts may be suspended in any Bond Year at such time as there shall be a sufficient sum, held in cash and investments, in each said Account to meet principal and interest requirements in said Account for the balance of such Bond Year, but such credits shall again be resumed on April 1 of each year, or, if for any reason whatsoever, the amounts on deposit are at any time insufficient to meet said principal and interest requirements.

The Council covenants and agrees with the purchasers and the owners of the Senior Local Government Securities that so long as the Senior Local Government Securities remain outstanding, the Council will take no action or fail to take any action which in any way would adversely affect the ability of each County to impose and apply the Flood Prevention District Sales Taxes or the ability of the Council to collect the Flood Prevention District Revenues to the payment of the Senior Local Government Securities. The Council and its officers will comply with all present and future applicable laws in order to assure that the Flood Prevention District Revenues will be available as provided herein and deposited in the Senior Bond Fund.

**Senior Reserve Fund**

The Senior Reserve Fund is a trust fund to be held by the Trustee as long as any of the Senior Local Government Securities remain outstanding. All amounts on deposit in the Senior Reserve Fund shall be held in trust for the sole benefit of the holders of the Senior Local Government Securities and shall be applied and used solely for the payment of principal of the Senior Local Government Securities, at maturity or on any mandatory redemption date, and for payment of interest on the Senior Local Government Securities as it falls due whenever there are not sufficient funds to pay such principal and interest on the Senior Local Government Securities when due. There shall be credited to the Senior Reserve Fund upon the issuance of the Senior Local Government Securities the amount equal to the Reserve Requirement. Thereafter, no additional funds need be credited to the Senior Reserve Fund except (i) that when money to the credit of the Senior Reserve Fund is disbursed, then the Council shall immediately cause deposits to be made to the Senior Reserve Fund until the Senior Reserve Fund has been restored to the Reserve Requirement and (ii) that when money to the credit of the Senior Reserve Fund is determined to be deficient on any Valuation Date (defined below) as a result of a decline in market value of the securities therein, then the Council shall cause deposits to the made to the Senior Reserve Fund so that such deficiency has been restored no later than the next succeeding Valuation Date, except in the case of a deficiency caused by a decline in the rating of a Reserve Fund Credit Instrument, then the Council shall cause proportional monthly deposits to be made to the Senior Reserve Fund so that such deficiency has been restored within five years. The moneys credited to the Senior Reserve Fund shall be used to pay principal and interest of any of the Outstanding Senior Local Government Securities at any time when there are insufficient funds available and to the credit of the Senior Bond Fund to pay such interest as the same becomes due and to redeem and pay the principal of and applicable premium as the same become due.

Investments in the Senior Reserve Fund shall be valued on every principal payment date of the Senior Local Government Securities (the **“Valuation Date”**), at the market value thereof, inclusive of accrued interest and interest then on deposit in the Senior Reserve Fund. Amounts to the credit of the Senior Reserve Fund in excess of the Reserve Requirement shall be transferred to the Project Fund under the Senior Indenture on each Valuation Date and be used for the Project or other capital expenditures of the Council.

A portion of the proceeds of the Series 2015A Senior Local Government Securities will be deposited into a commingled debt service reserve fund as security for the repayment of all of the Senior Local Government Securities. All or any part of the Reserve Requirement may be met by deposit with the Trustee of a Reserve Fund Credit Instrument. A **“Reserve Fund Credit Instrument”** is a non-cancellable insurance policy, a non-cancellable surety bond or an irrevocable letter of credit which may be delivered to the Trustee in lieu of or in partial substitution for cash or securities required to be on deposit in the Senior Reserve Fund. In the case of an insurance policy or surety bond, the company providing the policy or bond shall be an insurer which, at the time of the issuance of the policy or surety bond, has been assigned a credit rating which is within one of the two highest ratings accorded insurers by at least two of the Rating Agencies. In the case of a letter of credit, it shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of the issuance of the letter of credit, a credit rating on its long-term unsecured debt within one of the two highest rating categories from at least two of the Rating Agencies. The insurance policy, surety bond or letter of credit shall grant to the Trustee the right to receive payment for the purposes for which the Senior Reserve Fund may be used and shall be irrevocable during its term.

If at any time the credit rating on a Reserve Fund Credit Instrument declines below one of the two highest credit ratings assigned by the Rating Agencies rating such series of Senior Local Government Securities, the insured value of such Reserve Fund Credit Instrument shall be deemed to have declined by 20% annually. The Council may at any time fully replace an impaired Reserve Fund Credit Instrument. At such time as a replacement Reserve Fund Credit Instrument or cash funded Senior Reserve Fund is provided, the impaired Reserve Fund Credit Instrument shall be terminated.

Notwithstanding the foregoing, at the direction of the Council in any Supplemental Indenture relating to the issuance of Additional Senior Local Government Securities, a separate account in the Senior Reserve Fund may be established for one or more series of Additional Senior Local Government Securities which shall secure only those series of Additional Senior Local Government Securities. In such case, such series of Additional Senior Local Government Securities shall have no interest in the Senior Reserve Fund other than with respect to moneys and investments contained in such separate account and no Senior Local Government Securities other than such series of Additional Senior Local Government Securities shall have any interest in the moneys and investments contained in such separate account.

**Surplus Fund**

On each April 15 and October 15, if all other Council Sales Tax Fund requirements have been fully satisfied, the Trustee shall deposit Flood Prevention District Sales Taxes and Flood Prevention District Revenues to the Surplus Fund. Funds to the credit of the Surplus Fund shall be used first by the Trustee to make up any deficiencies in any of the prior sub-Funds and then shall be distributed to the Counties for deposit to their respective County Flood Prevention Occupation Tax Fund unless, upon approval of the Counties, a Designated Representative of the Council notifies the Trustee to suspend or reduce such distribution and retain moneys in the Surplus Fund. In such event, funds to the credit of the Surplus Fund shall be used, at the discretion of the Council, upon the request of the Council and upon approval of the Counties for one or more of the following purposes without any priority among them:

. For the purpose of acquiring or constructing repairs, replacements, improvements or extensions to the Project; or

. For the purpose of calling and redeeming or defeasing any obligations payable from the Flood Prevention District Sales Taxes and Flood Prevention District Revenues; or

. For the purpose of purchasing any obligations payable from the Flood Prevention District Sales Taxes and Flood Prevention District Revenues, at a price not in excess of par; or

. For the purpose of paying principal of and interest on any bonds or obligations issued by the Council, the Counties or the Districts for the purpose of acquiring or constructing repairs, replacements, improvements or extensions to the Project and payable from the Flood Prevention District Sales Taxes; or

. For any purpose enumerated in any future bond resolution of the Council; or

. For any other lawful Council, County or District purpose.

Transfers to the Counties from the Surplus Fund shall be made on each April 15 and October 15. The amount that the Trustee shall transfer from the Surplus Fund to each County shall be determined by the Council, and informed by a Designated Representative to the Trustee, by multiplying the total amount to be transferred to the Counties by the percentage of Flood Prevention District Sales Taxes collected by each County in relation to the entire Flood Prevention District Sales Taxes collected in all three Counties during the immediately preceding calendar year ending more than ten months prior to the date of the transfer.

**Investments**

Moneys to the credit of any fund or account under the Senior Indenture may be invested from time to time by the Trustee in investments authorized by the Public Funds Investment Act of the State, as amended, for the investment of funds of the Districts. Investment earnings on moneys invested in any fund or account shall be credited to such fund or account.

**Redemption Provisions of the Series 2015A Senior Local Government Securities**

The Series 2015A Senior Local Government Securities may be redeemed pursuant to provisions consistent with those of the Senior Bonds. See **“THE SENIOR BONDS - Redemption Provisions”** herein.

**Additional Parity and Subordinate Local Government Securities**

As long as there are any Outstanding Senior Local Government Securities, the Council shall not incur any indebtedness which is payable from the Flood Prevention District Revenues except upon compliance with any one of the following:

() Additional Senior Local Government Securities may be issued for the purposes set forth in the Flood Prevention Act or for refunding Outstanding Local Government Securities upon compliance with any of the following conditions:

() The amounts required to be credited monthly to the Senior Bond Fund have been credited in full up to the date of the delivery of such Additional Senior Local Government Securities.

() The Senior Reserve Fund is fully funded.

() The Flood Prevention District Revenues for 12 months prior to the issuance of the Additional Senior Local Government Securities must equal at least 150% of Maximum Annual Debt Service computed immediately after the issuance of the proposed Additional Senior Local Government Securities, but only for those Bond Years in which the Outstanding Senior Local Government Securities immediately prior to such issuance and the Additional Senior Local Government Securities will continue to be Outstanding as provided in the Senior Indenture. Notwithstanding anything in the Senior Indenture to the contrary, this subparagraph may not be amended without the consent of the holders of a majority of the outstanding Subordinate Local Government Securities outstanding at the time of such amendment.

() Additional Senior Local Government Securities may be issued to refund Outstanding Senior Local Government Securities if the principal and interest payments due on such Additional Senior Local Government Securities in each Bond Year are less than those of the Outstanding Senior Local Government Securities to be refunded.

() Additional Senior Local Government Securities may be issued to refund Outstanding Senior Local Government Securities in order to avoid default in the payment of principal of or interest on Outstanding Senior Local Government Securities; *provided*, they are issued to avoid such default within three months of the date of the anticipated default. Other than such refunding Additional Senior Local Government Securities issued pursuant to the provisions described in this paragraph (c), Additional Senior Local Government Securities shall not be issued if an event of default has occurred and is continuing under the Senior Indenture.

() Subordinate Local Government Securities may be issued by the Council for the Project or to refund any Local Government Securities. Acceleration will not be a permissible remedy upon an event of default under the documents authorizing Subordinate Local Government Securities.

All Additional Senior Local Government Securities issued under the Senior Indenture shall mature as to principal on April 15 and as to interest on April 15 and/or October 15 and all Subordinate Local Government Securities shall mature at such times as the Council may determine.

The Council reserves the right and option, in the issuance of any series of Additional Senior Local Government Securities, to cause such series to be issued in any alternative form, including, but not by way of limitation, discount bonds, capital appreciation bonds, variable rate demand obligations, optional and mandatory tender bonds, commercial paper, tax credit bonds, and bonds secured or not secured by credit facilities, liquidity facilities, letters and liens of credit, guarantees and bond insurance agreements, all as may be provided in the Supplemental Senior Indenture authorizing any such series of Additional Senior Local Government Securities.

**Discharge and Payment**

***Discharge of Indebtedness.*** If the Council shall pay or cause to be paid or there shall be otherwise paid or provision shall be made for the payment of, the principal, premium, if any, and interest due or to become due on Senior Local Government Securities or Additional Senior Local Government Securities at the times and in the manner stipulated therein; and if the Council shall not then be in default under any of the other covenants and promises in such Senior Local Government Securities or Additional Senior Local Government Securities and the Senior Indenture to be kept, performed, and observed by it or on its part; and if the Council shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Senior Indenture or of the Senior Local Government Securities or Additional Senior Local Government Securities; then, except for certain rights of the Trustee as provided in the Senior Indenture, the interests in the Trust Estate and rights granted pursuant to the Senior Indenture shall cease, determine, and be void; and the Trustee shall take such actions, at the request of the Council, as may be necessary to evidence the cancellation and discharge of the lien of the Senior Indenture.

***Provision for Payment.*** A Senior Local Government Security shall be deemed to be paid within the meaning of the Senior Indenture when (1) payment of the principal of and the applicable redemption premium, if any, on such Senior Local Government Security plus interest thereon to Maturity shall have been provided to the Trustee by irrevocably depositing with the Council and the Trustee, in trust, and the Trustee shall have irrevocably set aside exclusively for such payment, any combination of (a) funds sufficient to make such payment, and/or (b) Government Obligations (except those which consist of evidences of a direct ownership interest in amounts payable on other Government Obligations) not subject to redemption or prepayment and maturing as to principal and interest in such amounts and at such times as will, in the opinion of an independent certified public accountant delivered to the Council and the Trustee, provide sufficient moneys, without reinvestment of any matured amounts, to make such payment without reinvestment; (2) the Trustee shall have been given irrevocable written instructions to call all outstanding Senior Local Government Securities for redemption on a date certain, if such Senior Local Government Securities are to be called for redemption prior to Stated Maturity; (3) the Trustee shall have received a Favorable Bond Counsel Opinion (as defined in **APPENDIX C** hereto) as to the effect of such deposit (and the payment of the Senior Local Government Securities therefrom); and (4) all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Senior Local Government Securities shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

**ESTIMATED SOURCES AND USES OF FUNDS**

Following is a summary of the anticipated sources and uses of funds in connection with the issuance of the Senior Bonds:

|  |  |
| --- | --- |
| **Sources of Funds:** |  |
|  |  |
| Principal of the Senior Bonds | $ 27,705,000 |
| Less: Original Issue Discount | 592,123 |
| Total sources of funds | $ 27,112,877 |
|  |  |
| **Uses of Funds:** |  |
| Purchase of Series 2015A Senior Local  Government Securities | $ 27,001,623 |
| Less: Underwriting Discount | 111,254 |
| Total uses of funds | $ 27,112,877 |

Following is a summary of the anticipated sources and uses of funds in connection with the issuance of the Series 2015A Senior Local Government Securities:

|  |  |
| --- | --- |
| **Sources of Funds:** |  |
| Proceeds of the Series 2015A Senior Local  Government Securities | $ 27,001,623 |
| Total sources of funds | $ 27,001,623 |
|  |  |
| **Uses of Funds:** |  |
| Deposit to Project Fund | $ 25,677,120 |
| Deposit to Senior Reserve Fund | 1,121,758 |
| Costs of Issuance | 202,745 |
| Total uses of funds | $ 27,001,623 |

**FLOOD PREVENTION DISTRICT SALES TAXES**

**General**

The Flood Prevention District Sales Taxes consist of a flood prevention retailers’ occupation tax and a flood prevention service occupation tax imposed by each County throughout its boundaries at a rate of 0.25% of the gross receipts from all taxable sales. Taxable sales include the sale of all general merchandise, except qualifying food, drugs and medical appliances and items required to be titled or registered with an agency of the State government, such as vehicles, watercraft, aircraft, trailers and mobile homes. **“Qualifying food”** includes food that has not been prepared for immediate consumption, such as most food sold at grocery stores, excluding hot foods, alcoholic beverages and soft drinks. The Flood Prevention District Sales Taxes have been imposed for the period required to repay the bonds, notes and other indebtedness issued under the Flood Prevention Act, including the Subordinate Bonds. Several sales are specifically exempt from the Flood Prevention District Sales Taxes, including sales to state, local and federal governments and sales to not-for-profit organizations that are exclusively charitable, religious, or educational.

**Collection**

The Illinois Department of Revenue (the **“Department”**) collects all of the Flood Prevention District Sales Taxes and immediately pays all Flood Prevention District Sales Taxes over to the State Treasurer for deposit into a special fund called the **“Flood Prevention Occupation Tax Fund,”** which is a trust fund held outside the State Treasury that is not required to be appropriated by the Illinois General Assembly. On or before the 25th day of each calendar month, the Department is required to prepare and certify to the Comptroller of the State the disbursement of stated sums of money to the Counties from which retailers or servicemen have paid taxes or penalties to the Department during the second preceding calendar month. The amount to be paid to each County is equal to the amount of Flood Prevention District Sales Taxes collected from such County during the second preceding calendar month by the Department, less certain withholdings, including a 2% withholding by the Department for administering and enforcing such tax. Within 10 days after receipt by the Comptroller of the State from the Department of the disbursement certification to the Counties, the Comptroller of the State shall cause the orders to be drawn for the respective amounts in accordance with directions contained in the certification. Since the issuance of the Series 2010 Local Government Securities, the proceeds of the Flood Prevention District Sales Taxes have been sent directly from the State to the Trustee for deposit into the Council Sales Tax Fund. See the caption **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Intergovernmental Agreements”** herein.

The Council reports that there have been no delays in the State’s transmittal of the Flood Prevention District Sales Taxes to the Trustee.

**Flood Prevention District Sales Tax Receipts**

The following table shows the historical receipts of Flood Prevention District Sales Taxes, since the Counties began imposing such tax on January 1, 2009, as distributed by the Comptroller of the State to the Counties or to the Trustee on behalf of the Counties and exclusive of the 2% administrative charge withheld by the Department. The Counties receive the Flood Prevention District Sales Tax revenues approximately three months after the month in which the tax is paid on retail purchases. See the caption **“Collection”** above. The Council reports that there have been no delays in the State’s transmittal of the Flood Prevention District Sales Taxes to the Trustee.

| **Year** | **Madison County** | **Monroe County** | **St. Clair County** | **Total** | **Percentage Change** |
| --- | --- | --- | --- | --- | --- |
| 2009 | $4,783,780 | $469,627 | $5,074,450 | $10,327,857 | N/A |
| 2010 | 5,222,191 | 511,890 | 5,312,924 | 11,047,005 | 6.96% |
| 2011 | 5,419,230 | 513,845 | 5,331,638 | 11,264,713 | 1.97% |
| 2012 | 5,362,675 | 537,146 | 5,394,563 | 11,294,384 | 0.26% |
| 2013 | 5,189,199 | 543,310 | 5,293,807 | 11,026,317 | -2.37% |
| 2014 | 5,423,317 | 573,363 | 5,352,746 | 11,349,426 | 2.93% |
| 2015\* | 3,583,462 | 368,459 | 3,470,456 | 7,422,377 | 0.73% |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\* January 2015 through August 2015, with percentage change based on same period in 2014.

**Debt Service Requirements**

The following schedule shows the principal and interest requirements for the Senior Local Government Securities for each Bond Year ended April 15:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Bond Year Ended** | **Series 2010 Senior** | **Series 2015A Senior** | | | **Total** |
| **April 15** | **Total(1)** | **Principal** | **Interest** | **Total** | **Senior** |
| 2016 | $4,894,045 | $ - | $ 309,128 | $ 309,128 | $ 5,203,173 |
| 2017 | 7,103,839 | - | 1,059,869 | 1,059,869 | 8,163,708 |
| 2018 | 7,100,339 | - | 1,059,869 | 1,059,869 | 8,160,208 |
| 2019 | 7,102,339 | - | 1,059,869 | 1,059,869 | 8,162,208 |
| 2020 | 7,100,239 | - | 1,059,869 | 1,059,869 | 8,160,108 |
| 2021 | 7,102,539 | - | 1,059,869 | 1,059,869 | 8,162,408 |
| 2022 | 7,103,264 | - | 1,059,869 | 1,059,869 | 8,163,133 |
| 2023 | 7,101,514 | - | 1,059,869 | 1,059,869 | 8,161,383 |
| 2024 | 7,101,314 | - | 1,059,869 | 1,059,869 | 8,161,183 |
| 2025 | 7,104,564 | - | 1,059,869 | 1,059,869 | 8,164,433 |
| 2026 | 7,102,764 | - | 1,059,869 | 1,059,869 | 8,162,633 |
| 2027 | 7,101,414 | - | 1,059,869 | 1,059,869 | 8,161,283 |
| 2028 | 7,101,777 | - | 1,059,869 | 1,059,869 | 8,161,646 |
| 2029 | 7,103,427 | - | 1,059,869 | 1,059,869 | 8,163,296 |
| 2030 | 7,100,864 | - | 1,059,869 | 1,059,869 | 8,160,733 |
| 2031 | 7,093,914 | - | 1,059,869 | 1,059,869 | 8,153,783 |
| 2032 | 6,982,335 | - | 1,059,869 | 1,059,869 | 8,042,204 |
| 2033 | 6,842,146 | - | 1,059,869 | 1,059,869 | 7,902,015 |
| 2034 | 6,667,449 | - | 1,059,869 | 1,059,869 | 7,727,318 |
| 2035 | 6,482,207 | - | 1,059,869 | 1,059,869 | 7,542,076 |
| 2036 | 3,383,030 | 2,505,000 | 1,059,869 | 3,564,869 | 6,947,899 |
| 2037 | - | 5,950,000 | 969,063 | 6,919,063 | 6,919,063 |
| 2038 | - | 6,175,000 | 745,938 | 6,920,938 | 6,920,938 |
| 2039 | - | 6,415,000 | 506,656 | 6,921,656 | 6,921,656 |
| 2040 | - | 6,660,000 | 258,075 | 6,918,075 | 6,918,075 |
| Total | $141,775,320 | $27,705,000 | $23,986,235 | $51,691,235 | $193,466,558 |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) No adjustment has been made for the interest subsidies which may be received with respect to certain of the Series 2010 Senior Local Government Securities.

**Historical Debt Service Coverage**

$ in 000’s

**Bond Year Ended April 15**

**2011 2012 2013 2014 2015[[2]](#footnote-3)**

Flood Prevention District Sales Tax $ 11,074 $ 11,341 $ 11,198 $ 11,049 $ 11,385

Receipts[[3]](#footnote-4)

Other Flood Prevention District Revenues 359 910 910 838 844

Total Flood Prevention District Revenues $ 11,433 $ 12,251 $ 12,108 $ 11,887 $ 12,228

Available for Debt Service

Annual Actual Debt Service on Senior Local $ 1,833 $ 7,102 $ 7,102 $ 7,102 $ 7,101

Government Securities[[4]](#footnote-5)

Annual Actual Debt Service Coverage 6.24x 1.73x 1.70x 1.67x 1.72x

Maximum Annual Debt Service Senior Local $ 7,105 $ 7,105 $ 7,105 $ 7,105 $ 7,105

Government Securities‡

Maximum Annual Debt Service Coverage 1.61x 1.72x 1.70x 1.67x 1.72x

For the twelve months ended August 31, 2015 (the most recent date for which sales tax revenue data is available), Flood Prevention District Revenues were $12,246,832 ($11,403,132 of which were from Flood Prevention District Sales Taxes), 150%[[5]](#footnote-6) of the Maximum Annual Debt Service on the Outstanding Senior Local Government Securities, including the Series 2015A Senior Local Government Securities.

**Flood Prevention District Sales Tax Base**

The boundaries of the Council are coterminous with the boundaries of the Counties, which cover approximately 1,787 square miles. According to recent population estimates, over 560,000 people live within the boundaries of the Counties. The median household income and median family income for each of the Counties, are as follows:

|  | **Median Household Income** | **Median Family Income** |
| --- | --- | --- |
| Madison County | $53,633 | $67,064 |
| Monroe County | 68,482 | 81,766 |
| St. Clair County | 50,578 | 63,373 |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Source: United States Census Bureau, 2009-2013 5-Year American Community Survey.

The table below includes a sample of some of the larger cities within the Counties and the sales tax rates imposed on most general merchandise sold within such city. Cities and overlapping governmental entities have the ability under state law to add new sales taxes or increase existing sales taxes. There is no guarantee that the tax rates listed below will not increase, decrease or remain in effect for any period of time.

| **City** | **Population(1)** | **County** | **Tax Rate(2)** |
| --- | --- | --- | --- |
| Alton | 27,177 | Madison | 7.85% |
| Belleville | 42,529 | St. Clair | 8.10% |
| Collinsville | 24,883 | Madison and St. Clair | 8.10% |
| Columbia | 10,121 | Monroe and St. Clair | 6.50% |
| East St. Louis | 26,672 | St. Clair | 8.85% |
| Edwardsville | 24,758 | Madison | 7.10% |
| Fairview Heights | 16,901 | St. Clair | 8.35% |
| Granite City | 29,183 | Madison | 8.35% |
| O’Fallon | 29,069 | St. Clair | 7.85% |
| Waterloo | 10,178 | Monroe | 6.50% |

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(1) Estimate as of July 1, 2014. Source: United States Census Bureau, 2014 Population Estimates.

(2) The tax rates include the Flood Prevention District Sales Tax, but do not include any sales taxes imposed by business districts. Business districts are special taxing districts created by municipalities which may impose up to a 1.0% sales tax within its boundaries. Cities located in more than one county have different sales tax rates. The portion of such city with the higher sales tax rate is listed above.

Source: United States Census Bureau, 2014 Population Estimates for population; Illinois Department of Revenue for tax rates.

See **“APPENDIX A - GENERAL, ECONOMIC AND FINANCIAL INFORMATION OF THE COUNTIES”** hereto.

**THE LEVEE SYSTEM**

The Levee System protects an area known as the American Bottom, which is a broad floodplain area situated in the Counties along the eastern bank of the Mississippi River. The American Bottom contains approximately 156,000 residents and numerous heavy industries and businesses, including the following businesses with more than 500 employees: US Steel, Granite City Works, Midcoast Aviation, Southern Illinois Healthcare Foundation, Global Brass and Copper, Inc., Gateway Regional Medical Center, ConocoPhillips, Casino Queen Hotel and Casino, Argosy Casino, Kraft Foods and ASF-Keystone. The levees were originally designed and built by the Corps to protect against a 500-year flood. Most of the levees were built in the 1940s and improved during the 1950s using design standards in place at that time. In August 2007, the Corps announced that due to design deficiencies and reconstruction needs it did not have confidence that the Levee System could protect against a base flood (i.e., a 100-year flood). The “design deficiencies” resulted from improvements in engineering practice and higher factors of safety and not from inadequate maintenance. See **“THE COUNCIL – Background”** above. Four of the levee systems are operated and maintained by separate units of government known as drainage and levee districts: the Wood River Drainage and Levee District, the Metro-East Sanitary District, the Prairie Du Pont Sanitary District and the Fish Lake Drainage and Levee District. A fifth levee, the Chain of Rocks Levee, is owned and maintained by the Corps. The drainage and levee districts have been responsible for levee maintenance since construction of the levees by the Corps. It is anticipated that these districts will continue to maintain the levees after improvements are made. The following is a short description of each levee:

***Wood River Drainage and Levee District.*** The Wood River Drainage and Levee District is governed by a Board of Commissioners consisting of three people appointed by the Madison County Board to three year staggered terms. The Wood River Drainage and Levee District employs a secretary-treasurer and a superintendent, who hires full time and several part time maintenance workers.

The Wood River Drainage and Levee District is located in Madison County and is just upstream from the City of Granite City. The communities of Alton, East Alton, Hartford, Roxana, South Roxana, and Wood River are within the district. The Wood River Drainage and Levee District includes approximately 21 miles of mainline levee, 164 relief wells, 24 closure structures, 64 gravity drains and 7 pump stations. There are approximately 21 square miles (13,700 acres) of bottomland and 7 square miles (4,700 acres) of hill land within the district. The Wood River Drainage and Levee District assesses property within its boundaries on the proportionate value received from levee protection facilities in order to pay for its operations.

***Metro-East Sanitary District.*** The Metro-East Sanitary District is governed by a Board of Commissioners consisting of five people. Three of the Commissioners are residents of that portion of the district in the county having the greater equalized assessed valuation of the district (currently Madison County), and two are residents of that portion of the district having the lesser valuation (currently St. Clair County). The board hires an executive director and the district employs over 50 staff members.

The largest of the four locally maintained districts, the Metro-East Sanitary District protects 96.32 square miles (61,645 acres). The district owns approximately 37.5 miles of mainline levee, including north and south flanks; 16,425 feet of floodwall; 52.5 miles of canals; and 14 miles of sanitary sewers in service at the present time. The Metro-East Sanitary District includes the Cities of Collinsville, Edwardsville, Glen Carbon, Granite City, Madison, Pontoon Beach and Venice in Madison County; and Alorton, Brooklyn, Cahokia, Caseyville, Centreville, East St. Louis, Fairmont City, Sauget and Washington Park in St. Clair County. The Metro-East Sanitary District levies a property tax to pay for its operations.

***Prairie Du Pont Sanitary District.*** The Prairie Du Pont Sanitary District is governed by a five-member board, elected in a general election with each member serving four-year terms. The district has two full time and six part time staff.

The district protects 15 square miles (9,560 acres) and its mainline levee is 10.3 miles in length. Structures include 5 steel gates and 9 gravity drains. Prairie Du Pont Sanitary District protects portions of the communities of Dupo, East Carondelet and Columbia in St. Clair County and a portion of Monroe County. The Prairie Du Pont Sanitary District levies a property tax to pay for its operations.

***Fish Lake Drainage and Levee District.*** The Fish Lake Drainage and Levee District is governed by a three member board, elected from the district and from Monroe County and the City of Columbia. The Fish Lake Drainage District protects 4 square miles (2,440 acres) and has 4.9 miles of mainline levee. It has no gates and currently has 9 gravity drains. The Fish Lake Drainage and Levee District levies assessments to pay for its operations.

***Chain of Rocks Levee.*** The Chain of Rocks Levee is approximately 8 miles long and is owned and maintained by the Corps. It is contiguous with the levee owned by the Metro-East Sanitary District. The Corps has made improvements to this levee over the past several years and it can now be certified to protect from a 100-year flood. The Corps is continuing to improve the Chain of Rocks Levee to 500-year level of protection.

**THE PROJECT**

***Overview.*** The Council will use a portion of the proceeds from the sale of the Senior Local Government Securities to finance levee improvements and increase the factor of safety of flood protection within the boundaries of each County. The goal of the Council is to utilize proceeds of obligations issued pursuant to the Flood Prevention Act, which obligations are secured by the Flood Prevention District Sales Taxes, to pay costs of improvements to the Levee System necessary to achieve the 500-year level of protection.

***Budget.*** The Corps currently estimates that work to restore the Levee System to a 500-year protection level will cost $185 million. The Council’s local share match for Federal funding would be approximately $102 million of that total with the balance being paid by the Corps. The Council anticipates generating its local match through a mix of proceeds of the Senior Bonds and the Subordinate Bonds, moneys currently on deposit in the Surplus Account of the Council Sales Tax Fund and future revenues from the Flood Prevention District Sales Taxes to the extent such fund are not needed for the payment of debt service on the Senior Local Government Securities or the Subordinate Local Government Securities or the Council’s administrative costs.

**BONDOWNERS’ RISKS**

*An investment in the Senior Bonds is subject to a number of significant risk factors. The following is a discussion of certain risks that could affect payments to be made with respect to the Senior Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Senior Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described herein.*

**Nature of the Obligations**

The Senior Bonds are special, limited obligations of the Authority and are payable solely from payments of principal of and interest on the Series 2015A Senior Local Government Securities and funds pledged under the Resolution and Depository Agreement.

The Series 2015A Senior Local Government Securities have been issued on a parity with other previously issued Senior Local Government Securities and any Senior Local Government Securities which may be hereafter issued. Senior Local Government Securities are special, limited obligations of the Council and are payable solely from funds pledged under the Senior Indenture, including amounts in the Senior Reserve Fund. The realization of such revenues is dependent upon, among other things, future economic and other conditions that are unpredictable and cannot be determined at this time.

**No Mortgage of the Project**

Payment of the principal of and interest on the Senior Bonds and the Series 2015A Senior Local Government Securities is not secured by any deed of trust, mortgage or other lien on the Project nor any other property of the Authority or the Council.

**Limitations on Remedies**

The remedies available to the Owners upon a default under the Resolution are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the **“Federal Bankruptcy Code”**). The various legal opinions to be delivered concurrently with delivery of the Senior Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which shall limit the specific enforcement under laws of the State as to certain remedies; to the exercise by the United States of America of the powers delegated to it by the United States Constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies, in the interest of serving an important public purpose.

**Changes in Market Conditions**

Sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recessions, when high unemployment adversely affects consumption. Demographic changes in the population of the Counties may adversely affect the level of sales tax revenues. A decline in the population of any of the Counties, or reductions in the level of commercial activity within the boundaries of the Counties, could reduce the number and value of taxable transactions and thus reduce the amount of sales tax revenues. It is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial activity will occur, and what impact any such changes would have on sales tax revenues.

Increases in sales tax rates within the jurisdiction of the Counties may create incentives for certain purchases to be made in jurisdictions with lower overall sales tax rates. As a result, increasing sales tax rates may prompt certain commercial activities to relocate to jurisdictions with lower sales tax rates.

In addition to the foregoing, the partial or complete destruction of any of the shopping centers and other retail entities within the Counties, as a result of fire, natural disaster, including floods, or similar casualty event or the temporary or permanent closing of one or more retail establishments due to strikes or failure of the business could adversely affect the revenues from the Flood Prevention District Sales Taxes and thereby adversely affect the revenues available to pay the Senior Bonds and the interest thereon. Any insurance maintained by the owner of or the tenants in the shopping centers or other retail establishments located within the Counties for such casualty or business interruption is not likely to include coverage for sales taxes that otherwise would be generated by the establishment.

**Impact of Deaccreditation of Levees**

If the Levee System does not maintain its accreditation as providing 100-year protection, an owner of property in the unaccredited area that secures a loan from a federally regulated financial institution will be required to have flood insurance. The additional costs of flood insurance may be cost prohibitive for many new businesses or residents to locate in such area or for any existing business to remain or expand its operations within such area. The flood insurance requirement may result in either a slowdown or contraction of any population and economic growth in such area unless and until the Levee System is reaccredited by FEMA. In addition, if the Levee System does not maintain its accreditation, all communities that participate in the federal flood insurance program will be required to adopt new building regulations requiring new structures to be built above the base flood elevation. Elevating new structures to this level will substantially increase building costs, and diminish the likelihood of new development. Such a slowdown or contraction may result in a decrease in Flood Prevention District Sales Taxes collected in that portion of the Counties in the American Bottom. Any decrease in the amount of Flood Prevention District Sales Taxes collected could adversely affect the timely payment of principal of and interest on the Senior Bonds.

Completion of the improvements to the levees necessary for the levees to maintain certification for protection from the 100-year flood is expected to occur in 2016. The Council currently expects that the Levee System will receive confirmation of maintenance of its accreditation by late 2016 or early 2017 and the Council anticipates that this will enable the Counties and their residents to avoid the flood insurance premiums and new building regulations described above. Such review process may, however, take approximately four months after the last 100-year level improvements to the Levee System have been completed. Any delays in confirming such accreditation could result in a decertification which could cause higher flood insurance premiums and new building regulations to take effect in the interim.

**Risk of Flood**

Any major flood that breaches or overtops the Levee System may result in the destruction of numerous businesses and homes. Businesses may be forced to temporarily or permanently close and residents may be forced to temporarily or permanently relocate. Any temporary or permanent closure of businesses or relocation of residents may result in a decrease in the amount of Flood Prevention District Sales Taxes generated and thus increase the likelihood that insufficient funds will be available to make timely payment of the principal of interest on the Senior Bonds. Since the original construction of the levees in the 1940s, there has never been a breach or structural failure of the Levee System resulting in flooding.

**Senior Reserve Fund**

A portion of the proceeds of the Series 2015A Senior Local Government Securities will be deposited into a commingled debt service reserve fund as security for the repayment of all of the Senior Local Government Securities. There can be no assurance that the amounts on deposit in the Senior Reserve Fund will be available if needed for payment of the Series 2015A Senior Local Government Securities in the full amount of the Reserve Requirement because (1) of fluctuations in the market value of the securities deposited therein and/or (2) if funds are transferred to the Senior Bond Fund established under the Senior Indenture, sufficient revenues may not be available to replenish the Senior Reserve Fund to the Reserve Requirement.

**Additional Senior Local Government Securities**

The Senior Indenture provides that additional Senior Local Government Securities may be issued by the Council and secured under the Senior Indenture on a parity with the Series 2015A Senior Local Government Securities, subject to satisfaction of certain conditions provided in the Senior Indenture. If issued on a parity with the Series 2015A Senior Local Government Securities, the debt service requirements of the Council may increase, which would increase the likelihood that the Council will have insufficient funds to cover its debt service requirements. See **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Additional Parity and Subordinate Local Government Securities”** herein and **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS”** hereto.

**State of Illinois Budgetary Impasse**

The remittance of the revenues from the Flood Prevention District Sales Taxes to the Trustee on behalf of the Counties requires Flood Prevention District Sales Taxes to be collected by the Department and paid to the Trustee by the Comptroller. Although these remittances are not subject to appropriation by the Illinois General Assembly, and although the Council has not experienced any delays in such remittances, the continued budgetary impasse at the State may negatively impact the ability of the Department to collect the Flood Prevention District Sales Taxes and the Comptroller’s ability to remit them to the Trustee, potentially causing timing delays in the Trustee’s receipt of such remittances.

**Federal Budget Sequestration**

In recent years, the United States Congress has not appropriated sufficient funds to make subsidy payments in full on certain bonds, including two series of Senior Local Government Securities issued in 2010. For the Federal fiscal year commencing October 1, 2015, the Council expects to receive only 93.2% of its eligible subsidy payments. The Council cannot predict whether future sequestrations will occur or in what amount. Any reduction in scheduled subsidies reduces the amount of Flood Prevention District Revenues available to pay debt service on the Senior Local Government Securities issued in 2010, increasing the demand on the revenues from the Flood Prevention District Sales Taxes to make such payments.

**Defeasance Risks**

When any or all of the Series 2015A Local Government Securities or the interest payments thereon have been paid and discharged, then the requirements contained in the Senior Indenture and the pledge of revenues made thereunder and all other rights granted thereby shall terminate with respect to the Series 2015A Local Government Securities so paid and discharged.  Series 2015A Local Government Securities shall be deemed to be paid within the meaning of the Indenture when (i) payment of the principal of and the applicable redemption premium, if any, on such Series 2015A Local Government Securities plus interest thereon to Maturity shall have been provided to the Trustee by irrevocably depositing with the Council and the Trustee, in trust, and the Trustee shall have irrevocably set aside exclusively for such payment, any combination of (1) funds sufficient to make such payment, and/or (2) Government Obligations not subject to redemption or prepayment and maturing as to principal and interest in such amounts and at such times as will, in the opinion of an independent certified public accountant delivered to the Council and the Trustee, provide sufficient moneys, without reinvestment of any matured amounts, to make such payment without reinvestment; (ii) the Trustee shall have been given irrevocable written instructions to call all outstanding Series 2015A Local Government Securities for redemption on a date certain, if such Series 2015A Local Government Securities are to be called for redemption prior to Stated Maturity; (iii) the Trustee shall have received a Favorable Bond Counsel Opinion as to the effect of such deposit (and the payment of the Series 2015A Local Government Securities therefrom); and (iv) all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Series 2015A Local Government Securities shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Government Obligations include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America.  Historically, such United States obligations have been rated in the highest rating category by the rating agencies.  There is no legal requirement in the Indenture that Government Obligations consisting of such United States obligations be or remain rated in the highest rating category by any rating agency.  Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include any rating of the Senior Bonds secured by Series 2015A Local Government Securities defeased with Government Obligations to the extent the Government Obligations have a change or downgrade in rating.

Risk of Taxability of the Interest on the Senior Bonds

For information with respect to events that may require interest on the Senior Bonds to be included in gross income for federal income tax purposes and not be exempt from income taxation by the State of Illinois, see “**TAX MATTERS**” herein. The Senior Bonds are not subject to redemption, nor are the interest rates on the Senior Bonds subject to adjustment, in the event of a determination by the Internal Revenue Service (the **“Service”**) or a court of competent jurisdiction that the interest paid or to be paid on any Senior Bond is or was includible in the gross income of the owner of any Senior Bond for federal income tax purposes. Such determination may, however, result in a breach of the Authority’s tax covenants set forth in the applicable Resolution or the Council’s tax covenants set forth in the Senior Indenture. ***It may be that owners would continue to hold their Senior Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.***

**Risk of Audit**

The Service has established an ongoing program to audit tax-exempt obligations. No assurance can be given that the Service will not commence an audit of the Senior Bonds. Owners of the Senior Bonds are advised that, if an audit of the Senior Bonds were commenced, in accordance with its current published procedures, the Service is likely to treat the Authority as the taxpayer, and the Owners of the Senior Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Senior Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

**Secondary Markets and Prices**

The Senior Bonds may not be readily liquid, and no person should invest in the Senior Bonds with funds such person may need to convert readily into cash. Owners of the Senior Bonds should be prepared to hold their Senior Bonds to the stated maturity date. The Underwriters will not be obligated to repurchase any of the Senior Bonds, and no representation is made concerning the existence of any secondary market for the Senior Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Senior Bonds and no assurance can be given that the initial offering price for the Senior Bonds will continue for any period of time.

Premium on Bonds

The initial offering prices of certain maturities of the Senior Bonds that are subject to optional redemption may be in excess of the respective principal amounts thereof. Any person who purchases a Senior Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Senior Bonds are subject to redemption at par under the various circumstances described under **“THE SENIOR BONDS – Redemption Provisions.”**

Ratings

The lowering or withdrawal of any investment rating initially assigned to the Senior Bonds could adversely affect the market price for and the marketability of the Senior Bonds. See the caption **“BOND RATINGS”** herein.

**ABSENCE OF LITIGATION**

There is no controversy, suit or other proceeding of any kind pending or, to the Authority’s knowledge, threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Authority or the right or title of any of its officers to their respective offices, the constitutionality or legality of the Senior Bonds, or the legality of any official act shown to have been done in connection with the issuance of the Senior Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof.

There is no controversy, suit or other proceeding of any kind pending or, to the Council’s knowledge, threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Council or the right or title of any of its officers to their respective offices, the constitutionality or legality of the Series 2015A Senior Local Government Securities, or the legality of any official act shown to have been done in connection with the issuance of the Series 2015A Senior Local Government Securities, including the imposition by the Counties of the Flood Prevention District Sales Taxes, or any of the proceedings had in relation to the authorization, issuance or sale thereof.

**LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the Senior Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the **“Bond Counsel”**), who has been retained by, and acts as, Bond Counsel to the Authority. In addition, certain legal matters incident to the authorization, issuance and sale of the Series 2015A Senior Local Government Securities are subject to the approving legal opinion of Bond Counsel, who has been retained by, and acts as, Bond Counsel to the Council. Bond Counsel has not been retained or consulted on disclosure matters, and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Senior Bonds, and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Underwriters, supplied the information under the heading **“TAX MATTERS,”** and has reviewed the information contained under the captions **“THE SENIOR BONDS”** (excluding the information under the caption **“Book-Entry System”**), **“SOURCES OF PAYMENT AND SECURITY FOR THE SENIOR BONDS”** and **“THE SENIOR LOCAL GOVERNMENT SECURITIES”** and in **APPENDIX C** and **APPENDIX D** solely to determine whether such descriptions are accurate summaries in all material respects. This review was undertaken solely at the request of the Underwriters, and did not include any obligation to establish or confirm factual matters set forth herein.

Certain legal matters will be passed upon for (a) the Authority by Chapman and Cutler LLP, Chicago, Illinois, (b) the Council by Husch Blackwell LLP, St. Louis, Missouri, (c) the Council by Thompson Coburn LLP, St. Louis, Missouri, as Disclosure Counsel, (d) The County of Madison, Illinois by its State’s Attorney, (e) The County of St. Clair, Illinois by its State’s Attorney, (f) The County of Monroe, Illinois by its State’s Attorney, (g) the Madison County District by the State’s Attorney of The County of Madison, Illinois, (h) the St. Clair County District by the State’s Attorney of The County of St. Clair, Illinois, and (i) the Monroe County District by the State’s Attorney of The County of Monroe, Illinois.

**TAX MATTERS**

Federal tax law contains a number of requirements and restrictions which apply to the Senior Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States of America, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority, the Council, the Districts and the Counties have covenanted to comply with all requirements that must be satisfied in order for the interest on the Senior Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause the interest on the Senior Bonds to become includible in gross income for federal income tax purposes retroactively to the date of the issuance of the Senior Bonds.

Subject to the compliance by the Authority, the Council, the District and the Counties with the above‑referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Senior Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but the interest on the Senior Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority, the Council, the Districts and the Counties with respect to certain material facts within the respective knowledge of the Authority, the Council, the Districts and the Counties. The opinion of Bond Counsel represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion, and is not a guarantee of result.

The Internal Revenue Code of 1986, as amended (the **“Code”**), includes provisions for an alternative minimum tax (**“AMT”**) for corporations in addition to the regular corporate tax in certain cases. The AMT, if any, depends upon the corporation’s alternative minimum taxable income (**“AMTI”**), which is taxable income of such corporation with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of the “adjusted current earnings” of such corporation over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would include certain tax-exempt interest, including the interest on the Senior Bonds.

Ownership of the Senior Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Senior Bonds should consult their own tax advisors as to the applicability of any such collateral consequences.

The issue price (the **“Issue Price”**) for each maturity of the Senior Bonds is the price at which a substantial amount of such maturity of the Senior Bonds is first sold to the public. The Issue Price of a maturity of the Senior Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the Senior Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Senior Bonds (the **“OID Bonds”**) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Authority, the Council, the Districts and the Counties comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludible from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of the OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Senior Bonds who dispose of Senior Bonds prior to the stated maturity thereof (whether by sale, redemption or otherwise), purchase Senior Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Senior Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Senior Bond is purchased at any time for a price that is less than the stated redemption price of such Senior Bond at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the **“Revised Issue Price”**), the purchaser will be treated as having purchased a Senior Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income, and is recognized when a Senior Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the election of the purchaser, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Senior Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Senior Bonds.

An investor may purchase a Senior Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium,” and must be amortized by an investor on a constant yield basis over the remaining term of such Senior Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax‑exempt bond. The amortized bond premium is treated as a reduction in the tax‑exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Senior Bond. Investors who purchase a Senior Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the basis of the Senior Bond for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Senior Bond.

There are or may be pending in the Congress of the United States of America legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Senior Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Senior Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Senior Bonds. If an audit is commenced, under current procedures, the Service may treat the Authority as a taxpayer, and the owners of the Senior Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Senior Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Senior Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Senior Bond owner who fails to provide an accurate Form W‑9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to the owner of any Senior Bond who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludibility of such interest from gross income for federal tax purposes.

Under the laws of the State of Illinois, as presently enacted and construed, the interest on the Senior Bonds is exempt from the income tax currently imposed by the State of Illinois pursuant to the Illinois Income Tax Act. No opinion is expressed regarding taxation of the interest on the Senior Bonds under any other provisions of Illinois law. Ownership of the Senior Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Senior Bonds. Prospective purchasers of the Senior Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

A copy of the form of opinion of Bond Counsel is attached hereto as **APPENDIX D** hereto.

**CONTINUING DISCLOSURE**

In accordance with the requirements of Rule 15c2-12 (the **“Rule”**) promulgated by the Securities and Exchange Commission, the Council will agree to provide:

(i) Within six months after the close of each Fiscal Year beginning with the Fiscal Year ended September 30, 2015, to the Municipal Securities Rulemaking Board (**“MSRB”**), via the Electronic Municipal Market Access system for municipal securities disclosures operated by the MSRB (**“EMMA”**), the Council’s Annual Report, which shall include (a) the Council’s audited financial statements for such Fiscal Year, and (b) except to the extent otherwise contained in the Council’s audited financial statements, such financial information and operating data set forth in the tables contained in the following-captioned sections of this Official Statement:

(A) **“FLOOD PREVENTION DISTRICT SALES TAXES – Flood Prevention District Sales Tax Receipts”**; and

(B) **“FLOOD PREVENTION DISTRICT SALES TAXES – Historical Debt Service Coverage”** (reflecting actual annual debt service only and not maximum annual debt service).

(ii) within 10 business days of the occurrence of any of the following events, to the MSRB, via EMMA:

(a) notice of the occurrence of any of the following events with respect to the Senior Bonds (**“Occurrence Events”**):

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers, or their failure to perform;

(v) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Senior Bonds;

(vi) defeasances;

(vii) rating changes;

(viii) tender offers; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.[[6]](#footnote-7)

(b) notice of the occurrence of any of the following events with respect to the Senior Bonds, if material (**“Material Events”** and together with the Occurrence Events, **“Reportable Events”**):

(i) non-payment related defaults;

(ii) modifications to rights of Bondowners;

(iii) Senior Bond calls (other than mandatory sinking fund redemptions);

(iv) release, substitution or sale of property securing repayment of the Senior Bonds;

(v) consummation of a merger, consolidation, or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vi) appointment of a successor or additional trustee or change of name of a trustee.

The Council may also, from time to time, choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Council, any such other event is material with respect to the Senior Bonds, but the Council does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

The Council reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Council, provided that, the Council agrees that any such modification will be done in a manner consistent with the Rule. The Council’s undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the beneficial owners of the Senior Bonds and shall be enforceable by the beneficial owners of the Senior Bonds provided that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the obligations under the undertaking and any failure to comply with the provisions of the Council’s undertaking shall not be an event of default with respect to the Resolution or the Senior Bonds.

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The Council’s record of compliance with its continuing disclosure obligations within the past five years is summarized in the table below:

**Southwestern Illinois Flood Prevention District Council**

**Summary of Continuing Disclosure Filings**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year Ending | Filing Due Date | Annual Financial & Operating Information (excludes audit) Filed | Audited Financial Statements Filed | Date Failure to File Notice Posted | Links to Filing Documents  (Other Than Notices) |
| 9/30/10 | 3/29/11 | 6/22/11 | 6/22/11 | 11/19/15 | <http://emma.msrb.org/ER478108-ER371701-ER769382.pdf> |
| 9/30/11 | 3/29/12 | 5/2/12 | 5/2/12 | 11/19/15 | <http://emma.msrb.org/EP632889-EP495273-EP896080.pdf> |
| 9/30/12 | 3/29/13 | 3/25/13 | 3/25/13 | N/A | http://emma.msrb.org/ER661458-ER513378-ER916052.pdf |
| 9/30/13 | 3/29/14 | 3/24/15 | 3/18/141 | 11/19/15 | <http://emma.msrb.org/EP801072-EA460424-EA856439.pdf>  http://emma.msrb.org/EA724549-EP658515-EP1060171.pdf |
| 9/30/14 | 3/29/15 | 3/24/15 | 3/20/151 | N/A | http://emma.msrb.org/ER851175-ER664933-ER1066668.pdf  http://emma.msrb.org/EA724549-EP658515-EP1060171.pdf |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1 The CUSIP numbers of certain of the outstanding bond obligations were not referenced in the filing of the audited financial statements on the dates shown above. The audited financial statements for the fiscal year ended September 30, 2013 were subsequently refiled on 6/18/14 and the audited financial statements for the fiscal year ended September 30, 2014 were subsequently refiled on 8/21/15.

As shown above, the Council has failed to file its audited financial statements and other financial and operating data within the time frame required by its prior continuing disclosure undertakings and failed to file notice of such late filings on a timely basis. The Council has recently engaged Columbia Capital Management, LLC to assist it in complying with its continuing disclosure filings in the future but such engagement may not be in force for the entire time the Senior Bonds are outstanding.

**FINANCIAL STATEMENTS**

The audited financial statements of the Council for the fiscal year ended September 30, 2014 are included in “**APPENDIX B** – **AUDITED FINANCIAL STATEMENTS OF THE COUNCIL FOR THE YEAR ENDED SEPTEMBER 30, 2014”** in this Official Statement.

The Council neither requested nor received the consent of its independent auditor to the inclusion of its audit report in this Official Statement. Neither the Council’s independent auditors, nor any other independent accountants, have examined the Council’s records, or performed any procedures with respect to the Council since the date of the Council’s audit for the fiscal year ended September 30, 2014.

**FINANCIAL ADVISOR**

Columbia Capital Management, LLC, St. Louis, Missouri, has acted as Financial Advisor to the Council in connection with the sale of the Senior Bonds.  The Financial Advisor is a “municipal advisor” as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.  The Financial Advisor has assisted the Council in the preparation of this Official Statement and in other matters relating to the issuance of the Senior Bonds. The Financial Advisor has not, however, independently verified the factual information contained in this Official Statement.

**UNDERWRITING**

The Senior Bonds are being purchased by the Underwriters listed on the cover page this Official Statement, subject to certain conditions contained in a Purchase Contract among the Authority, the Council and the Underwriters, at an aggregate purchase price of $27,001,622.88 (which is equal to the aggregate principal amount of the Senior Bonds, plus original issue premium of $-0-, less original issue discount of $592,123.00, and less an underwriting discount of $111,254.12). The Underwriters will be obligated to accept delivery and pay for all of the Senior Bonds if any are delivered.

The Senior Bonds are being purchased by the Underwriters from the Authority in the normal course of the Underwriters’ business activities. The Underwriters intend to offer the Senior Bonds to the public at prices not in excess of the offering prices set forth on the inside cover page of this Official Statement. The Underwriters may allow concessions from the public offering prices to certain dealers, banks and others. After the initial public offering, the public offering prices may be varied from time to time by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management.  In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps).  The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority.  The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.  The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.  Wells Fargo Bank, National Association (**“WFBNA”**), one of the underwriters of the Senior Bonds, has entered into an agreement (the **“Distribution Agreement”**) with its affiliate, Wells Fargo Advisors, LLC (**“WFA”**), for the distribution of certain municipal securities offerings, including the Senior Bonds.   Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Senior Bonds with WFA.  WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (**“WFSLLC”**), for the distribution of municipal securities offerings, including the Senior Bonds.  In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions.  WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

**BOND RATINGS**

Standard & Poor’s Ratings Services, a division of Standard & Poor’s Financial Services LLC, a part of McGraw Hill Financial, Inc. (**“S&P”**) has assigned a rating to the Senior Bonds of “AA (stable)” and Moody’s Investor Services Inc. (**“Moodys”** and, together with S&P, the **“Rating Agencies”**) has assigned a rating to the Senior Bonds of “Aa3”. The ratings reflect only the view of the Rating Agencies at the time such ratings are given, and the Underwriters and the Council make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained from the Rating Agencies.

The Council has furnished the Rating Agencies with certain information and materials relating to the Senior Bonds and the Council that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. The Underwriters have not undertaken any responsibility to bring to the attention of the holders of the Senior Bonds any proposed revision or withdrawal of any rating of the Senior Bonds or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Agreement, the Council is required to bring to the attention of the holders of the Senior Bonds any rating change for the Senior Bonds but has not undertaken any responsibility to oppose any such rating change. See **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS - SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT”** hereto. Any revision or withdrawal of any rating could have an adverse effect on the market price and marketability of the Senior Bonds.

**CERTAIN RELATIONSHIPS**

Chapman and Cutler LLP is serving as Bond Counsel to the Council in connection with the issuance of the Series 2015A Senior Local Government Securities and the Senior Bonds. Chapman and Cutler LLP is also serving as counsel to the Authority in connection with the issuance of the Series 2015A Senior Local Government Securities and the Senior Bonds. Chapman and Cutler LLP has served as counsel to one or more of the members of the underwriting syndicate or their affiliates in transactions unrelated to the issuance of the Senior Bonds, but is not representing any such entity in connection with the issuance of the Series 2015A Senior Local Government Securities or the Senior Bonds.

Thompson Coburn LLP is serving as Disclosure Counsel to the Council in connection with the issuance of the Senior Bonds. Thompson Coburn LLP has served as counsel to one or more of the Underwriters or their affiliates in transactions unrelated to the issuance of the Senior Bonds, but is not representing any such entity in connection with the issuance of the Series 2015A Senior Local Government Securities or the Senior Bonds.

Kennard Tucker, a member of the Authority’s Board of Directors (the **“Board”**), is an employee of Wells Fargo Advisors, LLC (**“WFA”**).  Wells Fargo Bank, National Association conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, National Association Municipal Products Group and is a co-managing underwriter of the Senior Bonds.  Mr. Tucker recused himself from the discussion and vote on the Resolution regarding the Senior Bonds, did not participate in the selection or approval of the underwriters of the Senior Bonds, and has no financial interest in any compensation that may be received by WFA in connection with the Senior Bond transaction.

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**MISCELLANEOUS**

Information set forth in this Official Statement has been furnished or reviewed by the Council and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Series 2015A Local Government Securities or the Senior Bonds do not purport to be complete and are qualified in their entirety by reference thereto.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Council that has been deemed final by the Council as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

The form of this Official Statement, and its distribution and use, has been approved by the Council.

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL, MADISON, ST. CLAIR AND MONROE COUNTIES, ILLINOIS**

By: /s/ Jim Pennekamp

President

**APPENDIX A**

**GENERAL, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE COUNTIES**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE COUNCIL**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**APPENDIX C**

**DEFINITION OF WORDS AND TERMS AND**

**SUMMARY OF THE PRINCIPAL DOCUMENTS**

**APPENDIX D**

**FORM OF BOND COUNSEL OPINION**

1. CUSIP numbers shown above have been assigned by an organization not affiliated with the Authority or the Council. Neither the Authority nor the Council are responsible for the selection of CUSIP numbers nor does either make any representation as to the correctness of such numbers on the Senior Bonds or as indicated herein. [↑](#footnote-ref-2)
2. Unaudited. [↑](#footnote-ref-3)
3. Receipts for the twelve months ended March 31 of each year. [↑](#footnote-ref-4)
4. Includes debt service for the Series 2010 Senior Local Government Securities only. [↑](#footnote-ref-5)
5. Assuming maximum annual debt service of $8,164,433 following the issuance of the Series 2015A Senior Local Government Securities. [↑](#footnote-ref-6)
6. This event is considered to occur when any of the following occur:  the appointment of a receiver, fiscal agent or similar officer for the Council in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Council, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Council. [↑](#footnote-ref-7)