

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2018

Sale Date: October 16, 2018

**Bids for Tax-Exempt Series A Bonds will be received until 9:30 A.M.,
Central Daylight Saving Time**

**Bids for Tax-Exempt Series B Bonds will be received until 10:00 A.M.,
Central Daylight Saving Time**

**Bids for Taxable Series C Bonds will be received until 11:00 A.M.,
Central Daylight Saving Time**

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See “RATINGS”

In the opinion of Katten Muchin Rosenman LLP and Charity & Associates, P.C., Co-Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Tax-Exempt Series A Bonds and the Tax-Exempt Series B Bonds will not be includable in gross income for federal income tax purposes. The Tax-Exempt Series A Bonds and the Tax-Exempt Series B Bonds are not “private activity bonds” and the interest thereon is not required to be included as an item of tax preference for purposes of computing “alternative minimum taxable income.” Interest on the Taxable Series C Bonds is includable in the gross income of the owners for federal income tax purposes. Interest on the Bonds is not exempt from Illinois income taxes.



\$250,000,000*
STATE OF ILLINOIS
BUILD ILLINOIS BONDS
(Sales Tax Revenue Bonds),
Junior Obligation Series of October 2018

\$115,000,000* JUNIOR OBLIGATION
TAX-EXEMPT SERIES A OF OCTOBER 2018

\$125,000,000* JUNIOR OBLIGATION
TAX-EXEMPT SERIES B OF OCTOBER 2018

\$10,000,000* JUNIOR OBLIGATION
TAXABLE SERIES C OF OCTOBER 2018

Dated: Date of Issue

Due: As shown on the inside cover

Three separate series of Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Series of October 2018 issued by the State of Illinois (the “State”) are offered by this Official Statement and are collectively referred to as the “Series of October 2018 Bonds”: the Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series A of October 2018 (the “Tax-Exempt Series A Bonds”); the Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series B of October 2018 (the “Tax-Exempt Series B Bonds” and together with the Tax-Exempt Series A Bonds, the “Tax-Exempt Series of October 2018 Bonds”); and the Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Taxable Series C of October 2018 (the “Taxable Series C Bonds”). The Series of October 2018 Bonds are issuable only as fully registered, book-entry bonds in denominations of \$5,000 or any integral multiple thereof and, when issued, will be registered under a global book-entry system in the name of Cede & Co., as nominee of The Depository Trust Company. The Series of October 2018 Bonds will bear interest at the rates shown on the inside cover of this Official Statement. Interest on the Series of October 2018 Bonds will be payable June 15 and December 15 of each year, commencing June 15, 2019. The principal of the Series of October 2018 Bonds is payable at the corporate trust office of U.S. Bank National Association, Chicago, Illinois, as trustee. Details of payment of the Series of October 2018 Bonds are described herein.

The Tax-Exempt Series of October 2018 Bonds are subject to redemption prior to maturity as set forth herein. The Taxable Series C Bonds are not subject to prior optional redemption.

The Series of October 2018 Bonds are being issued to finance various capital projects and to pay costs of issuance of the Series of October 2018 Bonds.

The Series of October 2018 Bonds are direct, limited obligations of the State payable solely from the tax revenues and other moneys pledged for the benefit of the Build Illinois Bonds (Sales Tax Revenue Bonds) of the State. The Series of October 2018 Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The holders of the Series of October 2018 Bonds may not require the levy or imposition of any taxes or the application of other State revenues or funds to the payment of the Series of October 2018 Bonds except for the tax revenues and other moneys pledged to such Bonds.

The Series of October 2018 Bonds are offered when, as and if issued by the State and received by the Purchasers, subject to the approval of legality by Katten Muchin Rosenman LLP and Charity & Associates, P.C., Chicago, Illinois, C-Bond Counsel, and certain other conditions. Foley & Lardner LLP, Chicago, Illinois, will act as Disclosure Counsel to the State. It is expected that the beneficial interests in the Series of October 2018 Bonds will be available for delivery through the facilities of DTC on or about November 1, 2018.

Dated: October ____, 2018

* Preliminary, subject to change.

\$250,000,000*
State of Illinois
Build Illinois Bonds
(Sales Tax Revenue Bonds),

\$115,000,000* Junior Obligation Tax-Exempt Series A of October 2018
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

Due June 15	Principal Amount	Interest Rate	Yield	Price	CUSIP**
2019	\$4,600,000				452227_____
2020	4,600,000				452227_____
2021	4,600,000				452227_____
2022	4,600,000				452227_____
2023	4,600,000				452227_____
2024	4,600,000				452227_____
2025	4,600,000				452227_____
2026	4,600,000				452227_____
2027	4,600,000				452227_____
2028	4,600,000				452227_____
2029	4,600,000				452227_____
2030	4,600,000				452227_____
2031	4,600,000				452227_____
2032	4,600,000				452227_____
2033	4,600,000				452227_____
2034	4,600,000				452227_____
2035	4,600,000				452227_____
2036	4,600,000				452227_____
2037	4,600,000				452227_____
2038	4,600,000				452227_____
2039	4,600,000				452227_____
2040	4,600,000				452227_____
2041	4,600,000				452227_____
2042	4,600,000				452227_____
2043	4,600,000				452227_____

* Preliminary, subject to change.

** Copyright 2018, American Bankers Association. CUSIP data in this Official Statement are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Series of October 2018 Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity may be changed after the issuance of the Series of October 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series of October 2018 Bonds.

\$125,000,000* Junior Obligation Tax-Exempt Series B of October 2018
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

Due June 15	Principal Amount	Interest Rate	Yield	Price	CUSIP**
2019	\$5,000,000				452227
2020	5,000,000				452227
2021	5,000,000				452227
2022	5,000,000				452227
2023	5,000,000				452227
2024	5,000,000				452227
2025	5,000,000				452227
2026	5,000,000				452227
2027	5,000,000				452227
2028	5,000,000				452227
2029	5,000,000				452227
2030	5,000,000				452227
2031	5,000,000				452227
2032	5,000,000				452227
2033	5,000,000				452227
2034	5,000,000				452227
2035	5,000,000				452227
2036	5,000,000				452227
2037	5,000,000				452227
2038	5,000,000				452227
2039	5,000,000				452227
2040	5,000,000				452227
2041	5,000,000				452227
2042	5,000,000				452227
2043	5,000,000				452227

** Copyright 2018, American Bankers Association. CUSIP data in this Official Statement are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Series of October 2018 Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity may be changed after the issuance of the Series of October 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series of October 2018 Bonds.

\$10,000,000* Junior Obligation Taxable Series C of October 2018
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

Due June 15	Principal Amount	Interest Rate	Yield	Price	CUSIP**
2019	\$1,000,000				452227_____
2020	1,000,000				452227_____
2021	1,000,000				452227_____
2022	1,000,000				452227_____
2023	1,000,000				452227_____
2024	1,000,000				452227_____
2025	1,000,000				452227_____
2026	1,000,000				452227_____
2027	1,000,000				452227_____
2028	1,000,000				452227_____

* Preliminary, subject to change

** Copyright 2018, American Bankers Association. CUSIP data in this Official Statement are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Series of October 2018 Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity may be changed after the issuance of the Series of October 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series of October 2018 Bonds.



STATE OF ILLINOIS

\$250,000,000*
STATE OF ILLINOIS
BUILD ILLINOIS BONDS
(SALES TAX REVENUE BONDS),

\$115,000,000* JUNIOR OBLIGATION
TAX-EXEMPT SERIES A OF OCTOBER 2018

\$125,000,000* JUNIOR OBLIGATION
TAX-EXEMPT SERIES B OF OCTOBER 2018

\$10,000,000* JUNIOR OBLIGATION
TAXABLE SERIES C OF OCTOBER 2018



Bruce Rauner
Governor

Hans Zigmund
Director of the Governor's Office of Management and Budget

Kelly Hutchinson
Director of Capital Markets

* Preliminary, subject to change.

[THIS PAGE INTENTIONALLY LEFT BLANK]

No dealer, broker, salesperson, or other person has been authorized by the State of Illinois (the “State”) or the purchaser to give any information or to make any representations 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 the State. 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 Series of October 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the State and include information from other sources which the State believes to be reliable. Such information and expressions of opinion 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 since the date thereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES OF OCTOBER 2018 BONDS, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES OF OCTOBER 2018 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PURCHASER MAY OFFER AND SELL THE SERIES OF OCTOBER 2018 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE PURCHASER.

In making an investment decision, investors must rely on their own examination of the terms of the 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 is a criminal offense.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. This Official Statement is submitted in connection with the sale of the Series of October 2018 Bonds referred to herein and may not be reproduced or used, in whole or in part for any other purposes.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into and are not part of, this Official Statement.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE STATE FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

FORWARD-LOOKING STATEMENTS

This Official Statement contains disclosures which contain “forward-looking statements.” Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” or “continue.” These forward-looking statements are based on the current plans and expectations of the State and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, that could significantly affect current plans and expectations and the State’s future financial position including but not limited to changes in general economic conditions, demographic trends and federal programs which may affect the transfer of funds from the federal government to the State. As a consequence, current plans, anticipated actions and future financial positions may differ from those expressed in any forward-looking statements made by the State herein. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Official Statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF TERMS OF THE SERIES OF OCTOBER 2018 BONDS

THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ITS APPENDICES, TO WHICH THIS SUMMARY IS ATTACHED THE OFFERING OF THE SERIES OF OCTOBER 2018 BONDS TO ANY PERSON IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT, WHICH SHOULD BE REVIEWED CAREFULLY IN ITS ENTIRETY. CAPITALIZED TERMS NOT DEFINED IN THIS SUMMARY ARE DEFINED IN APPENDIX C OR ELSEWHERE IN THE OFFICIAL STATEMENT.

The Issue: Three Series

\$250,000,000* Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Series of October 2018 (the “Series of October 2018 Bonds”), is comprised of three series: \$115,000,000* Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series A of October 2018 (the “Tax-Exempt Series A Bonds”); \$125,000,000* Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series B of October 2018 (the “Tax-Exempt Series B Bonds” and together with the Tax-Exempt Series A Bonds, the “Tax-Exempt Series of October 2018 Bonds”); and \$10,000,000* Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Taxable Series C of October 2018 (the “Taxable Series C Bonds”). The Series of October 2018 Bonds will be dated the date of their original issue with delivery anticipated on November 1, 2018. The Series of October 2018 Bonds of each series will mature as set forth on the inside cover of this Official Statement.

The Issuer

State of Illinois (the “State”).

**Sale Date:
Tuesday, October 16, 2018**

Bids for the Series of October 2018 Bonds will be received on Tuesday, October 16, 2018.

**Sale Time for Tax-Exempt Series
A Bonds: 9:30 AM**

Bids for the Tax-Exempt Series A Bonds will be received until 9:30 A.M. Central Daylight Saving Time.

**Sale Time for Tax-Exempt
Series B Bonds: 10:00 AM**

Bids for the Tax-Exempt Series B Bonds will be received until 10:00 A.M. Central Daylight Saving Time.

**Sale Time for Taxable Series C
Bonds: 11:00 AM**

Bids for the Taxable Series C Bonds will be received until 11:00 A.M. Central Daylight Saving Time.

Build Illinois

The Build Illinois program, initiated in 1985, expands the State’s overall efforts in economic development by funding State and local infrastructure, economic development, healthcare and educational facilities, and environmental projects.

Interest

Payable semi-annually on June 15 and December 15, commencing June 15, 2019. Payment of the installments of interest will be made by U.S. Bank National Association, Chicago, Illinois, as trustee, to the registered owners of the Series of October 2018 Bonds as shown on the bond register at the close of business on the 15th day next preceding the interest payment date.

* Preliminary, subject to change

**Form of Bonds; Denominations;
Book-Entry System**

The Series of October 2018 Bonds will be issued as fully registered book-entry bonds in the denomination of \$5,000 or any integral multiple of that amount. The Series of October 2018 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be held under DTC’s global book-entry system.

Use of Proceeds

The Series of October 2018 Bonds are being issued to finance projects under the State’s capital program and to pay costs of issuance. See “THE OFFERING—APPLICATION OF BOND PROCEEDS.”

Optional Redemption

The Tax-Exempt Series A of October 2018 Bonds maturing on and after June 15, 2029 are subject to redemption prior to maturity at the option of the State on any date on or after June 15, 2028, as a whole or in part, and if in part from such series, maturities and interest rates as shall be selected by the State, in integral multiples of \$5,000, at a redemption price equal to 100% of the principal amount of the Tax-Exempt Series A of October 2018 Bonds to be redeemed, plus accrued interest to the date of redemption. See “THE OFFERING—REDEMPTION - *Optional Redemption—Tax-Exempt Series of October 2018 Bonds*”.

The Tax-Exempt Series B of October 2018 Bonds maturing on and after June 15, 2029 are subject to redemption prior to maturity at the option of the State on any date on or after June 15, 2028, as a whole or in part, and if in part from such series, maturities and interest rates as shall be selected by the State, in integral multiples of \$5,000, at a redemption price equal to 100% of the principal amount of the Tax-Exempt Series B of October 2018 Bonds to be redeemed, plus accrued interest to the date of redemption. See “THE OFFERING—REDEMPTION - *Optional Redemption—Tax-Exempt Series of October 2018 Bonds*”.

The Taxable Series C Bonds are not subject to prior optional redemption.

Mandatory Redemption

If designated by the Purchasers, the Series of October 2018 Bonds will be subject to mandatory sinking fund redemption prior to maturity as provided herein. See “THE OFFERING—REDEMPTION - *Mandatory Sinking Fund Redemption for the Tax-Exempt Series of October 2018 Bonds*” and “- *Mandatory Sinking Fund Redemption for Taxable Series C Bonds*.”

**Security for the Series of
October 2018 Bonds**

The Series of October 2018 Bonds are designated as Junior Obligations under the Indenture, and the payment thereof is subject to the prior payment of Build Illinois Bonds (Sales Tax Revenue Bonds) of the State designated as Senior Bonds and certain other deposits required by the Indenture, as further described herein. All Bonds (as herein defined and which include both Senior Bonds and Junior Obligations) are direct limited obligations of the State, payable solely from and secured by an irrevocable, first priority lien on moneys on deposit in the

Build Illinois Bond Retirement and Interest Fund, a separate fund in the State Treasury (the “Retirement and Interest Fund”), and certain other moneys and securities held by the Trustee under the provisions of the Indenture.

Moneys deposited by the State into the Retirement and Interest Fund are derived from two primary sources: (1) the “State Share of Sales Tax Revenues” (as defined in APPENDIX C) and certain tax revenues and other moneys which are required by law to be deposited into the Build Illinois Fund and subsequently transferred to the Retirement and Interest Fund (the “BIBA Revenues”), and (2) in the case of CPF Authorization Bonds (defined below), certain tax revenues and other moneys, if available, which are required by law to be transferred from the Capital Projects Fund to the Retirement and Interest Fund (the “CPF Revenues”) for the payment of Bonds issued pursuant to the Capital Projects Fund Legislation described under “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—REVENUES - *Capital Projects Fund Legislation; Capital Projects Fund.*” The State Share of Sales Tax Revenues and the Capital Projects Fund constitute the primary sources of moneys which are ultimately transferred to the Retirement and Interest Fund for payment of debt service on the Bonds. See “SECURITY FOR SERIES OF OCTOBER 2018 BONDS.”

Bonds payable solely from BIBA Revenues are referred to as the “BIBA Authorization Bonds.” Bonds payable from both BIBA Revenues and CPF Revenues are referred to as the “CPF Authorization Bonds.” The Tax-Exempt Series B Bonds and the Taxable Series C Bonds are CPF Authorization Bonds; the Tax-Exempt Series A Bonds are BIBA Authorization Bonds.

Revenues from Capital Projects Fund

Public Acts 96-36, 96-1554 and 98-94 collectively increased the authorization for the issuance of Bonds by \$2,440,500,000 to its current level of \$6,246,009,000 and provided that with respect to Bonds issued pursuant to such increased authorization, required transfers to the Retirement and Interest Fund are to be made, first to the extent available, from amounts in the Capital Projects Fund, and if such amounts are insufficient, from the Build Illinois Bond Account of the Build Illinois Fund. The Tax-Exempt Series B Bonds and the Taxable Series C Bonds are being issued pursuant to such authorization and therefore will be payable from CPF Revenues as well as from BIBA Revenues. The Tax-Exempt Series A Bonds are not being issued pursuant to such authorization and therefore will be payable only from BIBA Revenues. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS.”

Irrevocable and Continuing Appropriation

The Act and the Indenture require the State to appropriate for each Fiscal Year an amount equal to the Required Bond Transfer for such Fiscal Year. The Act further provides that, in the event such appropriation is not made, the Act constitutes an irrevocable and continuing appropriation of such amount and constitutes the irrevocable and continuing authority and direction to the Treasurer of the State and the Comptroller of the

State to make the necessary transfers and deposits, as directed by the Governor, and to make the payments as required by the Act. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—PLEDGE AND STATE COVENANT.”

Non-Impairment Covenants

Under the Act and the Indenture, the State irrevocably covenants and agrees with the Bondholders not to limit or alter (i) the basis on which taxes and revenues of the State are required to be collected and deposited in the Build Illinois Fund or, as the case may be, credited to and transferred from the Build Illinois Bond Account, and transferred to the Retirement and Interest Fund, (ii) the purposes of the Retirement and Interest Fund or (iii) the provisions of specified sections of the Act, and the State Finance Act related to payment of debt service so as to impair, in any of the foregoing respects, the obligations of contract incurred by the State in favor of the holders of the Bonds.

Additional Senior Bonds

The maximum Net Debt Service Requirement on all Outstanding Senior Bonds and any proposed additional Senior Bonds may not exceed five percent of the State Share of Sales Tax Revenues for the then most recently completed Fiscal Year. As of the date of issuance of any Series of Senior Bonds, the State Share of Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 20 times the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and for such Series. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—ISSUANCE OF ADDITIONAL BONDS.”

Additional Junior Obligations

The greatest amount in any Fiscal Year of the aggregate of the Net Debt Service Requirement on all Outstanding Senior Bonds and the Junior Annual Debt Service on all Outstanding Junior Obligations and any proposed additional Junior Obligations may not exceed 9.8 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year. As of the date of issuance of any series of Junior Obligations, the State Share of Sales Tax Revenues for the most recently completed Fiscal Year must provide not less than 10.2 times the greatest amount in any Fiscal Year of the aggregate of the Net Debt Service Requirement for all Outstanding Senior Bonds, the Junior Annual Debt Service on all Outstanding Junior Obligations and for such additional Series of Junior Obligations. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—ISSUANCE OF ADDITIONAL JUNIOR OBLIGATIONS.”

No Debt Service Reserve Fund

The Indenture creates a Debt Service Reserve Fund for the benefit of the Senior Bonds. The Series of October 2018 Bonds are not secured by or payable from amounts on deposit in the Debt Service Reserve Fund.

Tax Treatment of Interest

In the opinions of Katten Muchin Rosenman LLP and Charity & Associates, P.C, Chicago, Illinois (“Co-Bond Counsel”), under present law, interest on the Tax-Exempt Series of October 2018

Bonds is excludable 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.

Interest on the Taxable Series C Bonds is includible in gross income of the owners thereof for federal income tax purposes.

Interest on the Series of October 2018 Bonds is not exempt from present State of Illinois income taxes. See "TAX TREATMENT" for a more complete discussion.

Ratings

S&P Global Ratings has assigned a rating of "AA-" with a Stable Outlook to the Series of October 2018 Bonds; Fitch Ratings, Inc. has assigned a rating of "A-" with a Negative Outlook to the Series of October 2018 Bonds and Kroll Bond Rating Agency, Inc. has assigned a rating of "AA+" with a Stable Outlook to the Series of October 2018 Bonds. See "RATINGS."

Miscellaneous

Additional information regarding the Series of October 2018 Bonds and this Official Statement is available by contacting the Governor's Office of Management and Budget, 100 W. Randolph Street, Suite 15-100, Chicago, Illinois 60601; telephone: (312)-814-0023.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

INTRODUCTION 1

THE STATE 2

BUILD ILLINOIS 2

THE OFFERING 3

 Description of the Series of October 2018 Bonds 3

 Redemption 4

 Application of Bond Proceeds 8

SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS 9

 Pledge and State Covenant 9

 Sources of Payment 9

 Revenues 10

 State Share of Sales Tax Revenues 11

 Build Illinois Fund 13

 Retirement and Interest Fund 14

 Indenture Flow Of Funds 16

 Program Expense Fund 17

 Debt Service Reserve Fund 17

 General Reserve Fund 17

 Issuance of Additional Senior Bonds 18

 Issuance of Additional Junior Obligations 18

 Additional Limitations on Issuance of Additional Bonds 19

 Future Financings 19

CERTAIN INVESTMENT CONSIDERATIONS 19

 Investment Considerations Relating To The Financial Condition Of The State 19

INVESTMENT CONSIDERATIONS RELATING TO TAX EXEMPT MUNICIPAL OBLIGATIONS 23

SERIES OF OCTOBER 2018 BONDS - DEBT SERVICE SCHEDULE 24

OUTSTANDING BONDS - DEBT SERVICE SCHEDULE 25

DEBT SERVICE COVERAGE 26

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE 26

LITIGATION 26

COLLECTIVE BARGAINING 29

PURCHASE 30

TAX MATTERS 30

 Tax Exempt Bonds 30

 Taxable Bonds 32

 State Tax Matters 35

CONTINUING DISCLOSURE.....	35
CERTAIN LEGAL MATTERS	36
RATINGS.....	36
LEGAL INVESTMENT.....	37
FINANCIAL ADVISOR.....	37
AUTHORIZATION	37
MISCELLANEOUS.....	37

APPENDICES

APPENDIX A - CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS	A-1
APPENDIX B - PROPOSED FORMS OF OPINIONS OF BOND COUNSEL	B-1
APPENDIX C - CERTAIN DEFINITIONS	C-1
APPENDIX D - OUTSTANDING BONDS -- BUILD ILLINOIS BONDS (SALES TAX REVENUE BONDS)	D-1
APPENDIX E - PENSION AND OTHER POST EMPLOYMENT BENEFITS	E-1
APPENDIX F - WEBSITE INDEX	F-1
APPENDIX G - GLOBAL BOOK-ENTRY SYSTEM.....	G-1
APPENDIX H - FORM OF CONTINUING DISCLOSURE UNDERTAKING.....	H-1
APPENDIX I - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	I-1
APPENDIX J - NOTICE OF BOND SALE AND BID FORMS.....	J-1

\$250,000,000*
STATE OF ILLINOIS
BUILD ILLINOIS BONDS
(SALES TAX REVENUE BONDS),

\$115,000,000 JUNIOR OBLIGATION
TAX-EXEMPT SERIES A OF OCTOBER 2018

\$125,000,000* JUNIOR OBLIGATION
TAX-EXEMPT SERIES B OF OCTOBER 2018

\$10,000,000* JUNIOR OBLIGATION
TAXABLE SERIES C OF OCTOBER 2018

INTRODUCTION

This Official Statement (which includes the appendices) provides certain information in connection with the issuance by the State of Illinois (the “State”) of its Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Series of October 2018 (the “Series of October 2018 Bonds”) in the aggregate principal amount of \$250,000,000.* The Series of October 2018 Bonds are comprised of three series: the Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series A of October 2018 Bonds (the “Tax-Exempt Series A Bonds”), in the aggregate principal amount of \$115,000,000*; the Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series B of October 2018 (the “Tax-Exempt Series B Bonds” and together with the Tax-Exempt Series A Bonds, the “Tax-Exempt Series of October 2018 Bonds”), in the aggregate principal amount of \$125,000,000*; and the Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Taxable Series C of October 2018 (the “Taxable Series C Bonds”), in the aggregate principal amount of \$10,000,000*. The State is issuing the Series of October 2018 Bonds pursuant to the Build Illinois Act (30 ILCS 425/1 *et seq.*) (the “Act”), and pursuant to the Master Trust Indenture entered into by and between the State and U.S. Bank National Association, Chicago, Illinois as successor trustee (the “Trustee”), dated as of September 15, 1985, as amended and supplemented to date (the “Master Indenture”), and the Fifty-Sixth Supplemental Indenture, dated as of October 1, 2018, by and between the State and the Trustee with respect to the Tax-Exempt Series A Bonds (the “Fifty-Sixth Supplemental Indenture”); the Fifty-Seventh Supplemental Indenture, dated as of October 1, 2018, by and between the State and the Trustee with respect to the Tax-Exempt Series B Bonds (the “Fifty-Seventh Supplemental Indenture”); and the Fifty-Eighth Supplemental Indenture, dated as of October 1, 2018, by and between the State and the Trustee with respect to the Taxable Series C Bonds (the “Fifty-Eighth Supplemental Indenture”). The Master Indenture, the Fifty-Sixth Supplemental Indenture, the Fifty-Seventh Supplemental Indenture and the Fifty-Eighth Supplemental Indenture, are herein collectively called the “Indenture.” The Series of October 2018 Bonds are authorized by the Act and the Indenture to be issued by the State for the Build Illinois program.

The Series of October 2018 Bonds and all additional bonds previously and hereafter issued pursuant to the Act and the Indenture and designated as Junior Obligations under the Indenture are herein called “Junior Obligations.” All Senior Bonds, all Junior Obligations and all additional bonds and other obligations previously and hereafter issued pursuant to the Act and the Indenture are herein called “Bonds.” \$1,302,120,000 of Senior Bonds and \$969,985,000 of Junior Obligations are outstanding. For additional information on outstanding Bonds, see APPENDIX D - OUTSTANDING BONDS -- BUILD ILLINOIS BONDS (SALES TAX REVENUE BONDS).

The Indenture constitutes a contract between the State and the holders of all Bonds. Certain 1985 amendments to “An Act in relation to State Finance”, approved June 10, 1919, as amended (the “Finance Act”), and to the laws imposing the State’s Sales Taxes (the “Sales Tax Acts”) relating to the payment of and security for the Bonds are also included in the Act. All references to the Act and the Indenture are qualified in their entirety by reference to the complete texts thereof, copies of which are available from the State. All references to the Series of October 2018 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture.

* Preliminary, subject to change

Certain capitalized terms used in this Official Statement and the Indenture are defined in APPENDIX C - CERTAIN DEFINITIONS and unless otherwise indicated shall have the respective meanings set forth therein.

THE STATE

The State is formally organized according to executive, legislative and judicial functions. The Governor is the chief executive of the State and is generally responsible for the administration of the Executive Branch of the State other than the offices of other constitutionally-elected officials. The other constitutionally elected officials of the Executive Branch include the Lieutenant Governor, the Attorney General, the Secretary of State, the Illinois State Comptroller (the "Comptroller") and the Illinois State Treasurer (the "Treasurer"). The Auditor General, Frank J. Mautino, is a constitutional officer appointed for a term of 10 years, effective January 1, 2018, and was confirmed by a three-fifths vote of both houses of the General Assembly.

The Illinois Constitution provides that all elected officials of the Executive Branch hold office for four-year terms. The State's current elected constitutional officials are Governor Bruce Rauner, Lieutenant Governor Evelyn Sanguinetti, Attorney General Lisa Madigan, Secretary of State Jesse White, and Treasurer Michael W. Frerichs. Pursuant to the Illinois Constitution, these officials were elected at a general election in November 2014, and took office on January 12, 2015. The elected constitutional officers are each elected to serve a four-year term. Comptroller Susana A. Mendoza was elected to the Comptroller's office in November, 2016.

The Comptroller is responsible for the maintenance of the State's fiscal accounting records. The Comptroller provides accounting control over the cash on hand in a specific fund or funds for which the Treasurer is accountable, control over the issuance of warrants for payments of agencies' expenditures and control to ensure that State payments do not exceed legal appropriations and available fund balances. The Treasurer is also responsible for ensuring that investment of State funds complies with the Public Funds Investment Act (30 ILCS 235).

The legislative power of the State is vested in the General Assembly, which is comprised of 59 Senators and 118 members of the House of Representatives. Both the Senate and the House of Representatives meet in annual sessions to enact, amend or repeal laws and to adopt appropriation bills. Pursuant to Illinois law, the election of all members of the Senate and House of Representatives was held in November, 2014. Members of the House of Representatives were elected to serve two-year terms, while members of the Senate were elected to serve either two-year or four-year terms as set forth in the Illinois Constitution.

All members of the House of Representatives and two-third of the members of the Senate are standing for election on November 6, 2018.

The Judicial Branch is composed of the Supreme Court, the Appellate Courts and the Circuit Courts. Pursuant to Illinois law, judicial elections were held in November, 2016, and will be held in November, 2018.

BUILD ILLINOIS

The Build Illinois program, created by the Act in 1985, expands the State's overall efforts in economic development through the funding of projects within the following categories: construction, reconstruction, modernization, and extension of the State's infrastructure, fostering economic development and increased employment and the well-being of the citizens of Illinois; development and improvement of educational, scientific, technical and vocational programs and facilities and expansion of health and human services in the State and protection, preservation, restoration, and conservation of the State's environmental and natural resources.

The current authorization level for Build Illinois Bonds is \$6,246,009,000. The table below shows the statutory authorization for all Bonds (other than refunding Bonds). This table does not include the Series of October 2018 Bonds.

**BUILD ILLINOIS BOND AUTHORIZATION
(AS OF SEPTEMBER 1, 2018)**

PURPOSE OF BONDS	AMOUNT AUTHORIZED ¹	AMOUNT ISSUED ²	AUTHORIZATION UNISSUED
Public Infrastructure	\$3,222,800,000	\$2,984,651,771	\$238,148,229
Economic Development	849,000,000	478,839,996	370,160,004
Education	1,944,058,100	1,994,058,099	1
Environmental Protection	230,150,900	203,642,602	26,508,298
Total	\$6,246,009,000	\$5,611,192,469	\$634,816,531

Source: Governor's Office of Management and Budget

1 As authorized under the Build Illinois Bond Act, 30 ILCS 425/1 *et seq.*

2 Includes bond premium

Note: Totals may not sum due to rounding.

In addition to the \$6,246,009,000 of Bonds authorized under the Act for project financing, an unlimited amount of Bonds may be issued for the purpose of refunding or advance refunding any Bonds previously issued under the Act.

Although the Act places certain restrictions on the issuance of Bonds, Public Act 100-0587 suspended some of these restrictions for Bonds issued in Fiscal Year 2019. The requirements that at least 25% of refunding Bonds issued within a fiscal year must be sold pursuant to notice of sale and public bid, and that Bonds must be issued with principal or mandatory redemption amounts in equal amounts with the first maturity issued occurring within the fiscal year in which the Bonds are issued or within the next succeeding fiscal year do not apply to refunding Bonds issued in Fiscal Year 2019. The Act also requires the Governor's Office of Management and Budget (the "GOMB") to comply with the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575/1, *et seq.*) with respect to procuring services for the issuance of Bonds.

The Act further provides that no refunding Bonds may be offered for sale unless the net present value savings to be achieved by the issuance of the refunding Bonds is three percent or more of the principal amount of the refunding Bonds to be issued.

For other limitations on the issuance of additional Bonds, including refunding Bonds, see "SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—ISSUANCE OF ADDITIONAL SENIOR BONDS," "—ISSUANCE OF ADDITIONAL JUNIOR OBLIGATIONS," AND "—ADDITIONAL LIMITATIONS ON ISSUANCE OF ADDITIONAL BONDS."

The State is authorized to use unexpended Bond proceeds to redeem (in accordance with the redemption provisions for each Series of Bonds), purchase, advance refund, or defease outstanding Bonds.

THE OFFERING

Description of the Series of October 2018 Bonds

The Series of October 2018 Bonds will be dated the date of their original issue and will bear interest from their date payable as described below semiannually on June 15 and December 15 of each year, commencing June 15, 2019, at the rates per annum specified by the successful bidder as set forth on the inside of the front cover of this Official Statement. Interest on the Series of October 2018 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Purchases of the Series of October 2018 Bonds will be made in denominations of \$5,000 principal amount or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series of October 2018 Bonds. Principal of, premium, if any, and interest on the Series of October 2018 Bonds will be paid by

the Trustee, as bond registrar and paying agent for the Series of October 2018 Bonds (the “Trustee”), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Series of October 2018 Bonds. See APPENDIX G - GLOBAL BOOK-ENTRY SYSTEM.

Redemption

Optional Redemption–Tax-Exempt Series A of October 2018 Bonds

The Tax-Exempt Series A of October 2018 Bonds maturing on or after June 15, 2029, are subject to redemption prior to maturity at the option of the State on any date on or after June 15, 2028, in whole or in part, and if in part, from such series, maturities and interest rates as shall be selected by the State, less than all of the Tax-Exempt Series A of October 2018 Bonds of a single maturity and interest rate to be selected by lot as described under “--*Redemption Procedure for Tax-Exempt Series of October 2018 Bonds*” below, in integral multiples of \$5,000, at a redemption price equal to 100% of the principal amount of the Tax-Exempt Series A of October 2018 Bonds to be redeemed, plus accrued and unpaid interest on the Bonds to be redeemed to the redemption date.

The Tax-Exempt Series B of October 2018 Bonds maturing on or after June 15, 2029, are subject to redemption prior to maturity at the option of the State on any date on or after June 15, 2028, in whole or in part, and if in part, from such series, maturities and interest rates as shall be selected by the State, less than all of the Tax-Exempt Series B of October 2018 Bonds of a single maturity and interest rate to be selected by lot as described under “--*Redemption Procedure for Tax-Exempt Series of October 2018 Bonds*” below, in integral multiples of \$5,000, at a redemption price equal to 100% of the principal amount of the Tax-Exempt Series B of October 2018 Bonds to be redeemed, plus accrued and unpaid interest on the Bonds to be redeemed to the redemption date.

Mandatory Sinking Fund Redemption of Tax-Exempt Series A Bonds

The Tax-Exempt Series A Bonds maturing on June 15, 20__ (the “Term Tax-Exempt Series A Bonds”) will be subject to mandatory sinking fund redemption, in part and selected as described under “ - *Redemption Procedure for Tax-Exempt Series of October 2018 Bonds*” below, on June 15 of the years and at a redemption price of par plus accrued interest to the date of redemption in the respective principal amounts shown for such years in the table below.

TERM TAX-EXEMPT SERIES A BONDS

YEAR	PRINCIPAL AMOUNT TO BE REDEEMED
	\$

The Term Tax-Exempt Series A Bonds shall be subject to mandatory sinking fund redemption from mandatory sinking fund payments that are required to be made in each designated year prior to maturity in amounts sufficient to redeem the principal amount of such Term Tax-Exempt Series A Bonds for such years.

The State may provide for the purchase of all or a portion of the Term Tax-Exempt Series A Bonds subject to mandatory redemption, from its lawfully available funds, on or prior to the 60th day preceding any date of mandatory redemption, at a price not in excess of the principal amount of the Term Tax-Exempt Series A Bonds to be so purchased on such mandatory redemption date. Any Term Tax-Exempt Series A Bonds so purchased will be cancelled and credited against the mandatory sinking fund payments due on such mandatory redemption date.

Mandatory Sinking Fund Redemption of Tax-Exempt Series B Bonds

The Tax-Exempt Series B Bonds maturing on June 15, 20__ (the “Term Tax-Exempt Series B Bonds”) will be subject to mandatory sinking fund redemption, in part and selected as described under “ - *Redemption Procedure for Tax-Exempt Series of October 2018 Bonds*” below, on June 15 of the years and at a redemption price of par plus accrued interest to the date of redemption in the respective principal amounts shown for such years in the table below.

TERM TAX-EXEMPT SERIES B BONDS

YEAR	PRINCIPAL AMOUNT TO BE REDEEMED
	\$

The Term Tax-Exempt Series B Bonds shall be subject to mandatory sinking fund redemption from mandatory sinking fund payments that are required to be made in each designated year prior to maturity in amounts sufficient to redeem the principal amount of such Term Tax-Exempt Series B Bonds for such years.

The State may provide for the purchase of all or a portion of the Term Tax-Exempt Series B Bonds subject to mandatory redemption, from its lawfully available funds, on or prior to the 60th day preceding any date of mandatory redemption, at a price not in excess of the principal amount of the Term Tax-Exempt Series B Bonds to be so purchased on such mandatory redemption date. Any Term Tax-Exempt Series B Bonds so purchased will be cancelled and credited against the mandatory sinking fund payments due on such mandatory redemption date.

Mandatory Sinking Fund Redemption of Taxable Series C Bonds

The Taxable Series C Bonds maturing on June 15, 20__ (the “Term Taxable Series C Bonds”) will be subject to mandatory sinking fund redemption, in part and selected as described under “ - *Redemption Procedure for Taxable Series C Bonds*” below, on June 15 of the years and at a redemption price of par plus accrued interest to the date of redemption in the respective principal amounts shown for such years in the table below.

TERM TAXABLE SERIES C BONDS

YEAR	PRINCIPAL AMOUNT TO BE REDEEMED
	\$

The Term Taxable Series C Bonds shall be subject to mandatory sinking fund redemption from mandatory sinking fund payments that are required to be made in each designated year prior to maturity in amounts sufficient to redeem the principal amount of such Term Taxable Series C Bonds for such years.

The State may provide for the purchase of all or a portion of the Term Taxable Series C Bonds subject to mandatory redemption, from its lawfully available funds, on or prior to the 60th day preceding any date of mandatory redemption, at a price not in excess of the principal amount of the Term Taxable Series C Bonds to be so purchased on such mandatory redemption date. Any Term Taxable Series C Bonds so purchased will be cancelled and credited against the mandatory sinking fund payments due on such mandatory redemption date.]

Redemption Procedure for Tax-Exempt Series of October 2018 Bonds

The Tax-Exempt Series of October 2018 Bonds will be redeemed only in the principal amount of \$5,000 and integral multiples thereof. While the Tax-Exempt Series of October 2018 Bonds are registered in the Book-Entry Only System and so long as DTC or a successor securities depository is the sole registered owner of the Tax-Exempt Series of October 2018 Bonds, if less than all of the Tax-Exempt Series of October 2018 Bonds of a series, maturity and interest rate are to be redeemed prior to maturity, the selection for redemption of such Tax-Exempt Series of October 2018 Bonds will be made in accordance with the operational arrangements of DTC or such successor securities depository then in effect. See APPENDIX G—GLOBAL BOOK-ENTRY SYSTEM.

Whenever any Term Tax-Exempt Series of October 2018 Bond is redeemed prior to maturity, the principal amount of such Term Tax-Exempt Series of October 2018 Bond so redeemed or cancelled shall be credited against the unsatisfied balance of future sinking fund installments for the related series and final maturity amount established with respect to such Term Tax-Exempt Series of October 2018 Bond in such order as shall be directed by the Governor of the State (the “Governor”) or the Director (as defined herein).

Notice of any redemption of Tax-Exempt Series of October 2018 Bonds will be sent by certified or first-class mail not less than 30 nor more than 45 days prior to the date fixed for redemption to the registered owner of each Tax-Exempt Series of October 2018 Bond (or portion thereof) to be redeemed at the address shown on the registration books of the State maintained by the Trustee, or at such other address as is furnished in writing by such registered owner to the Trustee.

Failure to give the notice of redemption required above as to any Tax-Exempt Series of October 2018 Bond, or any defect therein as to any Tax-Exempt Series of October 2018 Bond, will not affect the validity of the proceedings for the redemption of any other Tax-Exempt Series of October 2018 Bond. Any notice given as described above shall be conclusively presumed to have been given whether or not actually received by the appropriate addressee. With respect to an optional redemption of any Tax-Exempt Series of October 2018 Bonds, such notice may, at the option of the State, provide that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the applicable redemption price. If such moneys are not so received by the redemption date, such redemption notice will be of no force and effect, the State will not redeem such Tax-Exempt Series of October 2018 Bonds, the applicable redemption price will not be due and payable, and the Trustee will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Tax-Exempt Series of October 2018 Bonds will not be redeemed. Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the Treasurer shall provide for deposit with the Trustee of an amount of money sufficient to pay the redemption price of all the Tax-Exempt Series of October 2018 Bonds or portions of Tax-Exempt Series of October 2018 Bonds which are to be redeemed on that date.

When notice of redemption has been given and the redemption price has been deposited with the Trustee as hereinabove provided, the Tax-Exempt Series of October 2018 Bonds or portions of Tax-Exempt Series of October 2018 Bonds so to be redeemed shall on the date fixed for redemption become due and payable at the redemption price therein specified, and from and after such date, provided that funds are on deposit therefor, such Tax-Exempt Series of October 2018 Bonds or portions of Tax-Exempt Series of October 2018 Bonds shall cease to bear interest.

Redemption Procedure for Taxable Series C Bonds

The Taxable Series C Bonds will be redeemed only in the principal amount of \$5,000 and integral multiples thereof. While the Taxable Series C Bonds are registered in the Book-Entry Only System and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of the Taxable Series C Bonds are to be redeemed prior to maturity, the Trustee shall instruct DTC to provide for the pro-rata redemption following its procedures as a Pro-Rata Pass-Through Distribution of Principal or, if DTC procedures do not allow for pro-rata pass-through distribution of principal, the Taxable Series C Bonds to be redeemed shall be selected on a pro-rata basis; *provided* that, so long as such Taxable Series C Bonds are registered in the Book-Entry Only System, the selection for redemption of such Taxable Series C Bonds will be made in accordance with the operational arrangements of DTC then in effect. See APPENDIX G - GLOBAL BOOK-ENTRY SYSTEM.

It is the State's intent that redemption allocations of Taxable Series C Bonds made by DTC be made on a pro-rata pass-through distribution of principal basis as described above. However, the State cannot provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of Taxable Series C Bonds on such basis, nor will the State be responsible for any failure of DTC, DTC's Participants or any other intermediary to do so. If the DTC operational arrangements do not allow for the redemption of Taxable Series C Bonds on a pro-rata pass-through distribution of principal basis, then the Taxable Series C Bonds to be redeemed will be selected for redemption on a pro-rata basis.

In connection with any repayment of principal of the Taxable Series C Bonds, including payments of scheduled mandatory sinking fund payments, the Trustee will direct DTC to make a pass-through distribution of principal to the holders of the Taxable Series C Bonds.

For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective registered owners on a payment date, and (b) the denominator of which is equal to the total original par amount of the Taxable Series C Bonds of the maturity to be redeemed.

The procedure for the selection for partial redemption of Taxable Series C Bonds that are not in book-entry only form is set forth in the Fifty-Eighth Supplemental Indenture.

Whenever any Term Taxable Series C Bond is redeemed prior to maturity or purchased and cancelled by the State, the principal amount of such Term Taxable Series C Bond so redeemed or cancelled shall be credited against the unsatisfied balance of future sinking fund installments and final maturity amount established with respect to such Term Taxable Series C Bond in such order as shall be directed in a certificate of the Governor or the Director filed with the Trustee prior to the mailing of the notice of redemption.

Notice of any redemption of Taxable Series C Bonds will be sent by certified or first-class mail not less than 30 nor more than 45 days prior to the date fixed for redemption to the registered owner of each Taxable Series C Bond (or portion thereof) to be redeemed at the address shown on the registration books of the State maintained by the Trustee, or at such other address as is furnished in writing by such registered owner to the Trustee. In addition to the notice described in the preceding sentence, the Trustee shall notify the registered owners of the Taxable Series C Bonds to be redeemed of the Make-Whole Redemption Price not later than the Business Day preceding the applicable redemption date.

Failure to give the notice of redemption required above as to any Taxable Series C Bond, or any defect therein as to any Taxable Series C Bond, will not affect the validity of the proceedings for the redemption of any other Taxable Series C Bond. Any notice given as described above shall be conclusively presumed to have been given whether or not actually received by the appropriate addressee. With respect to an optional redemption of any Taxable Series C Bonds, such notice may, at the option of the State, provide that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the applicable redemption price. If such moneys are not so received by the redemption date, such redemption notice will be of no force and effect, the State will not redeem such Taxable Series C Bonds, the applicable redemption price will not be due and payable and the Trustee will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Taxable Series C Bonds will not be redeemed.

Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the Treasurer shall provide for deposit with the Trustee of an amount of money sufficient to pay the redemption price of all the Taxable Series C of Bonds or portions of Taxable Series C Bonds which are to be redeemed on that date.

When notice of redemption and the redemption price have been given as hereinabove provided, the Taxable Series C Bonds or portions of Taxable Series C Bonds so to be redeemed shall on the date fixed for redemption become due and payable at the redemption price therein specified, and from and after such date, *provided* that funds are on deposit therefor, such Taxable Series C Bonds or portions of Taxable Series C Bonds shall cease to bear interest.

Application of Bond Proceeds

Pursuant to the Act, the portion of the proceeds from the sale of Bonds that is allocated to finance projects and to pay a portion of the costs of issuance of such Bonds will be deposited in the Build Illinois Bond Fund, a separate fund in the State Treasury. Investment income on the Build Illinois Bond Fund shall be deposited in the State's General Revenue Fund.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The State estimates that the proceeds of the sale of the Series of October 2018 Bonds will be applied approximately as set forth below:

<u>Sources:</u>	Tax-Exempt Series A Bonds Amounts	Tax-Exempt Series B Bonds Amounts	Taxable Series C Bonds Amounts	Total
Principal Amount Issued [Net Premium/ Discount]	\$	\$	\$	\$
Total Sources	\$	\$	\$	\$
 <u>Uses:</u>				
Project Costs	\$	\$	\$	\$
Purchaser's Discount				
Costs of Issuance				
Total Uses	\$	\$	\$	\$

SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS

The Bonds, including the Series of October 2018 Bonds, are direct, limited obligations of the State payable solely from and secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Build Illinois Bond Retirement and Interest Fund, a separate fund in the State Treasury (the "Retirement and Interest Fund"), and certain other moneys and securities held by the Trustee under the Indenture.

Pledge and State Covenant

The Act and the Indenture require the State to appropriate for each Fiscal Year an amount equal to the Required Bond Transfer (as defined below under "—Retirement and Interest Fund") for such Fiscal Year. The Act further provides that, in the event such appropriation is not made, the Act constitutes an irrevocable and continuing appropriation of such Required Bond Transfer and constitutes the irrevocable and continuing authority and direction to the Treasurer and Comptroller to make the necessary transfers and deposits, as directed by the Governor, and to make the payments as required by the Act.

Under the Act and the Indenture, the State irrevocably covenants and agrees with the Bondholders not to limit or alter (i) the basis on which taxes and revenues of the State are required to be collected and deposited in the Build Illinois Fund or, as the case may be, credited to and transferred from the Build Illinois Bond Account, and transferred to the Retirement and Interest Fund, (ii) the purposes of the Retirement and Interest Fund or (iii) the provisions of specified sections of the Act and the State Finance Act relating to the payment of the principal of and interest on the Bonds, so as to impair, in any of the foregoing respects, the obligations of contract incurred by the State in favor of the holders of the Bonds.

Sources of Payment

Moneys deposited by the State into the Retirement and Interest Fund are derived from two primary sources. The State has pledged to the payment of the Bonds, the State Share of Sales Tax Revenues which by law are required to be deposited into the Build Illinois Fund for the purposes of making the monthly transfers to the Retirement and Interest Fund as required by the Act. Also, certain tax revenues and moneys, to the extent available, are required by law to be deposited into the Capital Projects Fund for the purposes of making transfers to, and payments from, the Retirement and Interest Fund for the payments of the CPF Authorization Bonds, including the Tax-Exempt Series B Bonds and the Taxable Series C Bonds, issued pursuant to the Capital Projects Fund Legislation described below under "—REVENUES - *Capital Projects Fund Legislation; Capital Projects Fund.*" The BIBA Authorization Bonds, such as the Tax-Exempt Series A Bonds, are not payable from amounts transferred from the Capital Projects Fund, but are payable only from the State Share of Sales Tax Revenues deposited into the Build Illinois Fund and subsequently transferred to the Retirement and Interest Fund (the "BIBA Revenues").

The Bonds are secured by moneys on deposit in the Retirement and Interest Fund and moneys on deposit in the funds and accounts maintained under the Indenture to secure the Bonds. The Series of October 2018 Bonds are designated as Junior Obligations under the Indenture. Funds transferred to the Trustee from the Retirement and Interest Fund are required by the Indenture to be deposited first, to pay debt service on Senior Bonds, second, to pay Program Expenses, third, to remedy any deficiencies in the Debt Service Reserve Fund maintained for the benefit of the Senior Bonds and then to pay debt service on Junior Obligations (including the Series of October 2018 Bonds). The Junior Obligations are further secured by a security interest in the Junior Obligation Debt Service Fund, including the moneys, securities and funds held therein. Finally, both Senior Bonds and Junior Obligations are secured by moneys in the General Reserve Account as more completely described in APPENDIX I—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - “Use of Funds.” Also see “—INDENTURE FLOW OF FUNDS” under this caption.

The State’s Sales Tax revenues constitute one of the primary sources of payment of debt service on the Bonds, including the Series of October 2018 Bonds. As described below under “—REVENUES - *Sales Tax*,” 20 percent of the Sales Tax receipts collected under the Sales Tax Acts is distributed to local governments and certain State funds and the remaining 80 percent of such receipts as collected are subject to a first and prior claim and charge in support of the Bonds until each monthly transfer to the Retirement and Interest Fund has been made as required by the Act. The “State Share of Sales Tax Revenues” includes only the State’s 80 percent portion of total collected Sales Tax Revenues. The State Share of Sales Tax Revenues aggregated \$8,557 million for Fiscal Year 2016, \$8,524 million in Fiscal Year 2017 and \$8,737 million in Fiscal Year 2018.

The Act and the Indenture require that, on a monthly basis, an amount of State Share of Sales Tax Revenues, equal to the greater of (a) 1/12 of 150 percent of an amount equal to the aggregate of the Aggregate Debt Service on Senior Bonds, Junior Annual Debt Service on Junior Obligations plus amounts required to be deposited into the funds and accounts established by the Indenture, less amounts representing capitalized interest (the “Certified Annual Debt Service Requirement”) or (b) the Tax Act Amount (as hereinafter defined) (but in any Fiscal Year not in excess of the greater of the Certified Annual Debt Service Requirement or the Tax Act Amount), be transferred to the Trustee for deposit into the Revenue Fund established by the Indenture. In addition, amounts are transferred from the Capital Projects Fund to the Retirement and Interest Fund to pay debt service on the CPF Authorization Bonds. Debt service on the Tax-Exempt Series B Bonds and the Taxable Series C Bonds, respectively, is payable from amounts so transferred from the Capital Projects Fund and, if necessary, BIBA Revenues. See “—INDENTURE FLOW OF FUNDS” below for a discussion of the flow of funds from the Revenue Fund under the Indenture.

Revenues

Sales Tax. The Sales Tax revenues (“Sales Tax” or “Sales Taxes”) consist of the receipts from four separate taxes imposed and collected by the State in connection with retail sales of certain tangible personal property and the transfer of tangible personal property incident to a sale of service. The four taxes are (i) the Retailer’s Occupation Tax imposed on persons engaged in the business of selling tangible personal property at retail within the State (this tax is the primary source of Sales Tax revenues); (ii) the Use Tax imposed on the privilege of using tangible personal property in the State; (iii) the Service Occupation Tax imposed on the cost of tangible personal property sold as an incident to service by persons engaged in the business of selling services in the State; and (iv) the Service Use Tax imposed on the privilege of using tangible personal property acquired incidental to a purchase of services. Only one of the four Sales Taxes listed above is imposed on each transaction subject to taxation. The Sales Tax is currently imposed (with certain exceptions) on the gross receipts from the retail sale or the cost price of tangible personal property transferred by the service person and is collected by the seller from the purchaser, except that use taxes imposed on out-of-State purchases may be remitted directly to the State by purchasers. Sales Tax payments are collected by the Illinois Department of Revenue.

The Sales Tax Acts currently impose Sales Taxes at a unified State and local rate of 6.25 percent, consisting of a 5.0 percent State rate portion (representing 80 percent of collections) and a 1.25 percent local rate portion (representing 20 percent of collections). Only the State Share of Sales Tax Revenues is included in the Revenues subject to a first and prior claim and charge for the payment of the Bonds.

Capital Projects Fund Legislation; Capital Projects Fund. In July 2009, legislation was enacted establishing a \$31 billion capital plan to be funded from a combination of State bonds and federal, State and local

funds; the legislation also established the Capital Projects Fund as a separate fund in the State Treasury (the “Capital Projects Fund Legislation”). As part of this program, State funding is to be provided either on a pay-as-you-go basis, from federal sources or from the bonded portion of a \$31 billion, multi-year capital program. The following revenue sources were designated to support the bonded portion of the program: an increase in motor vehicles fees and fines; an increase in the rate of taxation on sales of candy and grooming products from 1.00 percent to the general merchandise rate of 6.25 percent; expansion of the definition of soft drink so beverages that were not previously considered soft drinks are now also taxed at the rate of 6.25 percent; an increase in taxes on wine, spirits and certain beer products; license fees for video gaming terminals; a tax on net income earned from video gaming; and changes in the operations of the Illinois Lottery designed to generate additional net income to the State.

The Capital Projects Fund Legislation provided that portions of the funds generated by the revenue sources described in the preceding paragraph be deposited in the Capital Projects Fund and used for the payment of debt service on bonds issued for capital projects, which includes the CPF Authorization Bonds as well as the State’s General Obligation Bonds authorized to be paid from amounts in the Capital Projects Fund. The Capital Projects Fund Legislation requires \$245,178,200 to be transferred annually from the Capital Projects Fund to the General Revenue Fund and the remainder, if any, may be used, subject to appropriation, for capital projects. All tax revenues and other moneys required by law to be deposited in the Capital Projects Fund (including the portion of the Sales Taxes from the sale of candy and grooming products, and soft drinks that had been taxed at a rate of 1.00% prior to September 1, 2009 but that is now taxed at 6.25 percent) shall be paid therein upon receipt. Public Acts 96-36, 96-1554 and 98-94 collectively increased the authorization for the issuance of Bonds by \$2,440,500,000 to its current level of \$6,246,009,000 and provided that with respect to all \$2.4 billion of Bonds issued pursuant to such increased authorization, required transfers to the Retirement and Interest Fund are to be made to the extent available, first from amounts in the Capital Projects Fund, and if such amounts are insufficient, from BIBA Revenues as described below under “—BUILD ILLINOIS FUND.” The Tax-Exempt Series B Bonds and the Taxable Series C Bonds are CPF Authorization Bonds being issued under increased authorization provided by the Capital Projects Fund Legislation.

Other Revenues. Amounts equal to 20 percent of the receipts from the 6.25 percent Use Tax and Service Use Tax and 100 percent of the receipts from a 1.00 percent local Use Tax and Service Use Tax on food and drugs are deposited monthly into the State and Local Sales Tax Reform Fund (the “Reform Fund”) in the State Treasury.

For Fiscal Years 2016, 2017 and 2018, \$409.3 million, \$420.5 million, and \$443.9 million respectively, was deposited in the Reform Fund. Moneys in the Reform Fund are expended or transferred for various State and local governmental purposes in specified percentages or amounts, including monthly transfers to the Build Illinois Fund that may be transferred to the Retirement and Interest Fund. The specified monthly transfers from the Reform Fund to the Build Illinois Fund (the “Reform Fund Amounts”) began in Fiscal Year 1994 and continue through Fiscal Year 2025 at \$3.15 million.

The Reform Fund Amounts are collectively referred to herein as “Other Revenues.” There is no assurance that any of these Other Revenues will be available to pay debt service on the Bonds.

State Share of Sales Tax Revenues

The following table shows the historical State Share of Sales Tax Revenues received by the State for each of the Fiscal Years ended June 30, 2012 through 2018 and the approximate transfers of those Sales Taxes to the Build Illinois Fund McCormick Place Bonds and the Retirement and Interest Fund. Also shown are transfers from the Capital Projects Fund to the Retirement and Interest Fund to support the payment of debt service on the CPF Authorization Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

STATE SHARE OF SALES TAX REVENUES¹
(\$ MILLIONS)

Fiscal Year	(A) State Share Sales Tax Revenues²	Transfers from Sales Tax Revenues and Capital Projects Fund to Retirement and Interest Fund³	(B) Certified Annual Debt Service⁴	(A/B) Debt Service Coverage Levels(x)⁵	Capital Projects Fund to Retirement and Interest Fund
2013	7,810.2	386.7	342.1	22.8	88.8
2014	8,131.1	421.7	351.9	23.1	111.9
2015	8,497.0	460.7	370.0	23.0	138.4
2016	8,556.7	461.9	353.7	24.2	136.8
2017	8,523.7	460.0	328.9	25.9	136.1
2018	8,736.9	478.8	323.0	27.1	146.8

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget.

- 1 State Share of Sales Tax Revenues are revenues from the State portion of the Sales Tax, which represents a tax imposed at a rate of 5%.
- 2 These figures do not include Automobile Renting Tax.
- 3 This represents the greater of (i) 3.8% of the State Share of Sales Tax Revenues or (ii) Certified Annual Debt Service, plus debt service paid from the Capital Projects Fund for CPF Authorization Bonds, distributed to the Build Illinois Bond Retirement and Interest Fund. If the Capital Projects Fund is insufficient, then the State Share of Sales Tax Revenues will make up for any deficiencies. In Fiscal Years 2010 through 2012, the Certified Annual Debt Service was the greater of items (i) and (ii) and was equal to the Required Bond Transfer. In Fiscal Years 2013 through 2018, 3.8% of the State Share of Sales Tax Revenues was greater than the Certified Annual Debt Service. It is expected that this will not change for Fiscal Year 2019.
- 4 Certified Annual Debt Service numbers include total annual debt service on junior and senior lien Build Illinois bonds, as well as money set aside annually for Build Illinois program expenses. In Fiscal Year 2018, \$200,000 was set aside for program expenses. Money allocated to program expenses is not necessarily fully spent within the Fiscal Year.
- 5 These debt service coverage levels reflect the amount of Net State Share of Sales Tax Revenues, for any given Fiscal Year, divided by the actual debt service for both Senior Bonds and Junior Obligations for that Fiscal Year. These figures are not necessarily representative of the coverage levels required to issue additional bonds.

The following table shows the historical Sales Tax revenues each month for the Fiscal Years ended June 30, 2012 through June 30, 2018.

Monthly State Share of Sales Tax Revenues
(**\$ in millions**)

Month	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
July	\$ 644	\$ 655	\$ 699	\$ 737	\$ 734	\$ 750	\$ 780
August	639	620	689	697	729	741	739
September	651	639	673	720	727	735	735
October	636	670	679	740	743	712	708
November	640	649	662	686	687	663	723
December	675	698	735	802	787	837	801
January	700	685	713	710	714	769	759
February	542	584	555	607	603	560	624
March	608	602	618	634	675	614	655
April	646	637	679	712	692	661	714
May	631	675	701	709	694	732	716
June	662	696	727	743	773	751	782
Year Total	\$ 7,674	\$ 7,810	\$ 8,131	\$ 8,497	\$ 8,557	\$ 8,524	\$ 8,737

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

Note: Totals might not sum due to rounding

Build Illinois Fund

The Act creates the Build Illinois Fund which is a separate fund in the State Treasury. Pursuant to the Act and the Indenture, all tax revenues and other moneys required by law to be deposited in the Build Illinois Fund shall be paid therein upon receipt. The "Build Illinois Bond Account" is an account within the Build Illinois Fund. Moneys credited to the Build Illinois Bond Account are required to be transferred monthly to the Retirement and Interest Fund as described below. Moneys remaining credited to the Build Illinois Bond Account at the end of any month, after all required transfers have been made to the Retirement and Interest Fund, are required to be transferred to other funds of the State in accordance with the Act.

Pursuant to the Act and the Indenture, an amount not to exceed the "Annual Specified Amount" shall be credited to the Build Illinois Bond Account for any such Fiscal Year. The Annual Specified Amount is the greater of (i) an amount equal to 3.8 percent of the State Share of Sales Tax Revenues (the "Tax Act Amount") or (ii) the Certified Annual Debt Service Requirement (the "Transfer Amount"). On a monthly basis, the greater of the Tax Act Amount or 1/12 of 150 percent of the Transfer Amount shall be deposited in the Build Illinois Bond Account. This effectively requires that at least 1/8 of 100 percent of the Transfer Amount be deposited each month so that the entire Transfer Amount is deposited during the first eight months in any Fiscal Year. Pursuant to the Act and the Indenture, when additional Bonds are issued during any Fiscal Year, the Transfer Amount for such Fiscal Year shall be adjusted to reflect the issuance of such Bonds.

In addition to the greater of the (i) Tax Act Amount or (ii) the Transfer Amount, the Capital Projects Fund Legislation requires that transfers be made from the Capital Projects Fund to the Retirement and Interest Fund, for the payment of debt service on the CPF Authorization Bonds. The Comptroller's current procedure is to calculate the Transfer Amount by netting out debt service on the CPF Authorization Bonds, and allocating available amounts in the Capital Projects Fund for payment of debt service for all CPF Authorization Bonds. Funds from the Capital Projects Fund are transferred directly into the Retirement and Interest Fund. This transfer, combined with those required by the Act and the Indenture, may result in the overfunding of the Retirement and Interest Fund and, subsequently, the Revenue Fund. Under the terms of the Indenture, to the extent that such overfunding occurs, the amount so overfunded is released back to the State after all debt service on both Senior

Bonds and Junior Obligations for the year is paid and all funds within the Indenture are fully funded. See “—GENERAL RESERVE FUND.”

Retirement and Interest Fund

The Retirement and Interest Fund is a separate fund in the State Treasury. The Act and the Indenture provide that the Bonds are secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Retirement and Interest Fund.

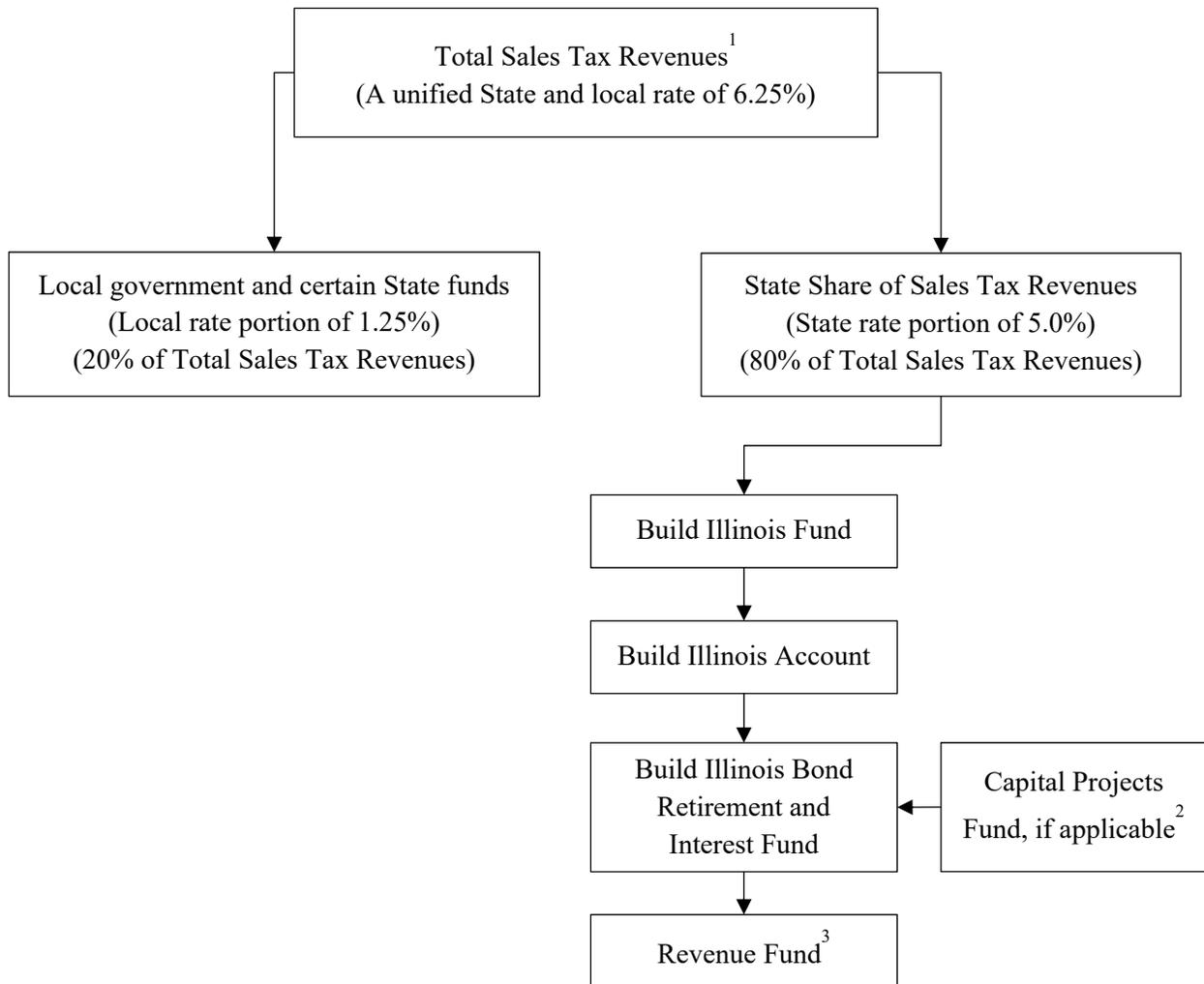
In each Fiscal Year, the amount transferred to the Retirement and Interest Fund (the “Required Bond Transfer”) is equal to the Annual Specified Amount described above. On a monthly basis, the Act and Indenture provide that on the last day of each month a transfer shall be made from the Build Illinois Fund to the Retirement and Interest Fund in an amount equal to the greater of (a) 1/12th of 150 percent of the Certified Annual Debt Service Requirement (the Transfer Amount described above) or (b) the Tax Act Amount deposited in the Build Illinois Bond Account during such month, plus any cumulative deficiency in such transfers and payments for prior months; *provided* that all of such transfers and payments for any such Fiscal Year shall not exceed the greater of (a) the Certified Annual Debt Service Requirement or (b) the Tax Act Amount. Transferring 1/12 of 150 percent effectively requires transferring at least 1/8 of 100 percent of the Transfer Amount each month so that the required amount is deposited during the first eight months of each Fiscal Year.

The Act provides that for each Fiscal Year, the State shall make an annual appropriation of an amount equal to the Required Bond Transfer. The Act further provides that it shall constitute an irrevocable and continuing appropriation of an amount equal to the Required Bond Transfer if for any reason the General Assembly fails to make such appropriation for any Fiscal Year. For the Fiscal Years 2018 and 2019 the General Assembly appropriated \$480 million. A continuing appropriation will be established if necessary to equal the Required Bond Transfer. Appropriation amounts are based on estimates of the Required Bond Transfer amount, which contemplates existing and anticipated issuances (including any refunding transactions, if planned), as well as an analysis of the Tax Act Amount. The actual amount of appropriation may vary from estimates.

On the last day of each month, the Act and the Indenture require a transfer from the Build Illinois Fund to the Retirement and Interest Fund in the amounts described above. For CPF Authorization Bonds, moneys to pay debt service will be transferred to the Retirement and Interest Fund first from amounts in the Capital Projects Fund, to the extent available, and next from transfers from the Build Illinois Fund to the Retirement and Interest Fund. Further, the Act and Indenture require the State Treasurer and the Comptroller to make monthly payments from the Retirement and Interest Fund on the last day of each month to the Trustee for deposit in the Revenue Fund. The Trustee will receive notice as to the allocation of such monthly payments between BIBA Revenues and CPF Revenues. Finally, under the Indenture, on the first day of each month, the Trustee is required to apply the amount held in the Revenue Fund as described below under the caption “—INDENTURE FLOW OF FUNDS.”

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The chart below describes the Revenues available for payment of debt service on the Bonds. The Build Illinois Fund, the Build Illinois Bond Retirement and Interest Fund and the Capital Projects Fund are held in the State Treasury as separate funds pursuant to statute. The Build Illinois Account is an account within the Build Illinois Fund. The Revenue Fund is held by the Trustee.



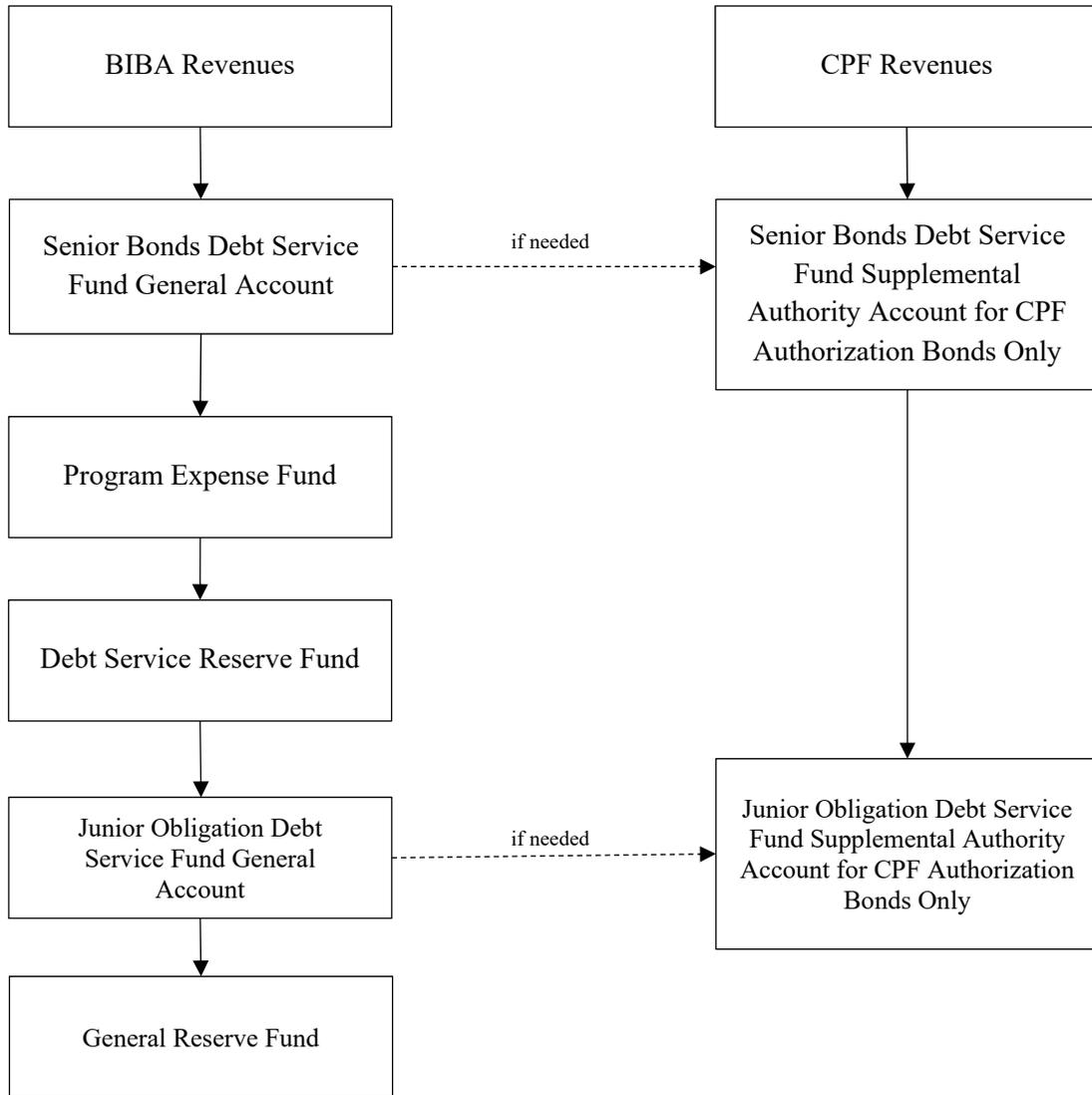
1 Excluding the incremental portion of the Sales Taxes from the sale of candy, grooming products, and soft drinks currently taxed at 6.25%, as increased from the pre-September 1, 2009 rate of 1.00% which incremental portion is deposited into the Capital Projects Fund for the payment of the CPF Authorization Bonds, including the Tax-Exempt Series B Bonds and the Taxable Series C Bonds, but not the BIBA Authorization Bonds such as the Tax-Exempt Series A Bonds. See “—REVENUES - *Capital Projects Fund Legislation; Capital Projects Fund.*” Also excluded are receipts from sales of sorbents, which are deposited into the Clean Air Act Permit Fund and 96 million which is deposited annually into the State Crime Laboratory Fund

2 For payment of the CPF Authorization Bonds, which are issued pursuant to P.A. 96-36, 96-1554, and 98-94 The Capital Projects Fund is the first source of transfers to the Retirement and Interest Fund for these CPF Authorization Bonds, before money is transferred from the Build Illinois Account. The Tax-Exempt Series B Bonds and the Taxable Series C Bonds are payable from the Capital Projects Fund.

3 The Revenue Fund is held by the Trustee. The Trustee receives allocations from the State describing which Revenues are BIBA Revenues and which Revenues are CPF Revenues.

Indenture Flow Of Funds

As described in APPENDIX I - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Disbursements from the Revenue Fund," the Trustee is required to transfer the BIBA Revenues and the CPF Revenues to the funds and accounts shown below at the times and the amounts described under such caption.



The Indenture creates a Revenue Fund, a Senior Bonds Debt Service Fund (comprised of a General Account and a Supplemental Authority Account), a Program Expense Fund, a Debt Service Reserve Fund, a Junior Obligation Debt Service Fund (comprised of a General Account and a Supplemental Authority Account) and a General Reserve Fund and provides that on the first day of each month the Trustee shall deposit BIBA Revenues and CPF Revenues received from the Retirement and Interest Fund and shall promptly apply such moneys as follows:

First, (i) from the CPF Revenues, to the Supplemental Authority Account of the Senior Bonds Debt Service Fund, an amount equal to the monthly requirement for debt service on the Senior Bonds that are CPF Authorization Bonds; and (ii) from the BIBA Revenues, to the General Account of the Senior Bonds Debt Service Fund, an amount equal to the monthly requirement for debt service on the Senior Bonds that are BIBA Authorization Bonds and, if needed, for debt service on the Senior Bonds that are CPF Authorization Bonds;

Second, to the Program Expense Fund, an amount, if any, required for Program Expenses;

Third, to the Debt Service Reserve Fund, the amount, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Fund Requirement with respect to the Senior Bonds;

Fourth, (i) from the CPF Revenues, to the Supplemental Authority Account of the Junior Obligation Debt Service Fund, an amount equal to the monthly amount required by any Supplemental Indentures or other instruments authorizing Junior Obligations to pay debt service on the Junior Obligations that are CPF Authorization Bonds; and (ii) from the BIBA Revenues, to the General Account of the Junior Obligation Debt Service Fund, an amount equal to the monthly amount to pay debt service required by the Supplemental Indentures or other instruments authorizing Junior Obligations that are BIBA Authorization Bonds and, if needed, for such debt service on the Junior Obligations that are CPF Authorization Bonds; and

Fifth, to the General Reserve Fund, the balance remaining.

Program Expense Fund

The Program Expense Fund is established for the payment of expenses related to the Bonds payable by the State, including the fees and charges of the Trustee, certain other costs associated with administration of the Bonds, and, if any, costs of credit or liquidity enhancement arrangements, fees of indexing and remarketing agents and costs of arrangements to limit interest rate risk (the "Program Expenses"). In Fiscal Year 2018, these expenses paid from this fund totaled \$63,300 in part due to periodic arbitrage calculation fees and software licensing. For Fiscal Year 2018 expenses are expected to be approximately \$65,000.

Debt Service Reserve Fund

The Debt Service Reserve Fund is established for the benefit of Senior Bonds and amounts therein are **not** available to pay principal of and interest on the Series of October 2018 Bonds. As of the date of issuance of the Series of October 2018 Bonds, the Debt Service Reserve Fund is fully funded with respect to all previously issued and outstanding Senior Bonds.

General Reserve Fund

Amounts in the General Reserve Fund shall be used as described in APPENDIX I - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Use of Funds. The State has reserved the right, during the period from June 15 to June 30 of each fiscal year, to transfer all or any part of the moneys in the General Reserve Fund to the State for any lawful purpose, under the circumstances described in such section of APPENDIX I.

Issuance of Additional Senior Bonds

The Indenture permits the issuance of additional Senior Bonds, bearing interest at a fixed or variable rate, which would rank equally and ratably with the Outstanding Senior Bonds. Additional Senior Bonds may be issued for the purpose of financing projects provided that the following conditions, among others, are met:

- (1) The maximum Net Debt Service Requirement on all Outstanding Senior Bonds and proposed additional Senior Bonds for the current or any future Fiscal Year does not exceed five percent of the State Share of Sales Tax Revenues for the most recently completed Fiscal Year; and
- (2) The Director shall certify that the Debt Service Reserve Fund Requirement, calculated immediately after the issuance of such additional Senior Bonds, will be met within 24 months after the date of such issuance.

Additional Senior Bonds may be issued for the purpose of refunding Outstanding Senior Bonds provided that, among others, the following conditions are met:

- (1) Either (a) the maximum Net Debt Service Requirement on all Outstanding Senior Bonds and proposed additional Senior Bonds for the current or any future Fiscal Year does not exceed five percent of the State Share of Sales Tax Revenues for the most recently completed Fiscal Year; or (b) maximum Aggregate Debt Service for the then current or any future Fiscal Year will not increase as a result of such issuance; and
- (2) The Director shall certify that the Debt Service Reserve Requirement will be met within 24 months after the date of such issuance.

The limitations set forth in (1) above effectively require that on the date of issuance of any Series of Senior Bonds (other than refunding Bonds that do not increase Aggregate Debt Service in any Fiscal Year), the State Share of Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 20 times coverage of the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and for such Series.

Issuance of Additional Junior Obligations

The Indenture permits the issuance of additional Junior Obligations, which would rank equally and ratably with the Series of October 2018 Bonds and the Outstanding Junior Obligations. Junior Obligations may be issued for the purpose of financing projects if the greatest amount of the aggregate of the Net Debt Service Requirement on all Outstanding Senior Bonds and the Junior Annual Debt Service on all Outstanding Junior Obligations and the proposed additional Junior Obligations, for the then current or any future Fiscal Year, will not exceed 9.8 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year.

Additional Junior Obligations may be issued for the purpose of refunding Outstanding Senior Bonds and Junior Obligations if either (1) the greatest amount of the aggregate of the Net Debt Service Requirement on all Outstanding Senior Bonds and the Junior Annual Debt Service on all Outstanding Junior Obligations and the proposed additional Junior Obligations, for the then current Fiscal Year or any future Fiscal Year, will not exceed 9.8 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year, or (2) the greatest amount of the aggregate of the Net Debt Service Requirement on all Outstanding Senior Bonds and the Junior Annual Debt Service for all Outstanding Junior Obligations and the Junior Obligations proposed to be issued, for the then current Fiscal Year or any future Fiscal Year, will not increase as a result of the issuance of such additional Series.

The limitations set forth above effectively require that, on the date of issuance of any Series of Junior Obligations (other than refunding Bonds), the State Share of Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 10.2 times coverage of the greatest amount in any Fiscal Year of the aggregate of the Net Debt Service Requirement for all Outstanding Senior Bonds and the Junior Annual Debt Service on all Outstanding Junior Obligations and for such Series.

The Indenture also permits the issuance of bonds and other obligations that are subordinated to Outstanding Senior Bonds and Outstanding Junior Obligations.

Additional Limitations on Issuance of Additional Bonds

The Illinois Constitution and the Act include certain additional limitations on the issuance of additional Bonds, including requirements that refunding Bonds may be offered for sale only if (i) all non-refunding Bonds in an issue that includes refunding Bonds shall mature no later than the final maturity date of Bonds being refunded; (ii) the net present value savings to be achieved by the issuance of the refunding Bonds is three percent or more of the principal amount of the refunding Bonds to be issued; (iii) the maturities of the refunding Bonds cannot extend beyond the maturities of the Bonds they refund, so that for each fiscal year in the maturity schedule of a particular issue of refunding Bonds, the total amount of refunding principal maturing and redemption amounts due in that fiscal year and all prior fiscal years in that schedule shall be greater than or equal to the total amount of refunded principal and redemption amounts that had been due over that year and all prior fiscal years prior to the refunding; and (iv) the Bonds are issued with principal or mandatory redemption amounts in equal amounts. As described above under “INTRODUCTION – BUILD ILLINOIS,” Public Act 100-0587 suspended certain of the statutorily-based requirements described in clauses (iii) and (iv) above for refunding Bonds issued during Fiscal Year 2019.

Future Financings

The State continues to implement its 2009, \$31 billion capital program. As a result, the State will continue to issue bonds to finance capital expenditures at such times and in such amounts as shall be determined by its capital investment program and subject to market conditions. In addition, the State expects to issue up to \$1 billion of the Section 7.7 Bonds during the latter part of Fiscal Year 2019.

The State also periodically reviews its existing debt and has authorization to enter into refunding transactions from time to time as dictated by economic conditions. The State evaluates its short-term cash needs from time to time and, based on such evaluations, may seek to issue additional short-term general obligation debt due within one year from its date of issuance.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series of October 2018 Bonds is subject to a variety of risks. Each prospective investor in the Series of October 2018 Bonds is encouraged to read this Official Statement in its entirety. Particular attention should be given to the investment considerations described below which, among others, could affect the payment of the principal of and interest on the Series of October 2018 Bonds and therefore result in a repayment risk for investors, and could also affect the liquidity and/or market value of the Series of October 2018 Bonds after they are issued. The considerations described below are not all of the investment considerations associated with the purchase and ownership of the Series of October 2018 Bonds. The inclusion or omission of investment considerations from this section, and the order of presentation, do not necessarily reflect the relative importance of the various considerations.

Investment Considerations Relating To The Financial Condition Of The State

Budget Passage

The State operated without fully enacted General Funds Budgets for Fiscal Years 2016 and 2017. The Fiscal Year 2018 General Funds Budget was vetoed by the Governor, and was enacted by the General Assembly after overriding the Governor’s vetoes of the Fiscal Year 2018 budget package. The Fiscal Year 2019 General Funds Budget was approved by the General Assembly and signed into law by the Governor. There can be no assurance that a budget will be enacted in future fiscal years.

Budget Deficit

The Fiscal Year 2019 General Funds budget has an estimated underlying structural deficit of \$1.2 billion. See “STATE FINANCIAL INFORMATION—FISCAL YEAR 2019 BUDGET.” To avoid future

structural deficits, the Governor and the General Assembly would, among other potential solutions, need to reduce expenditures, adjust revenue collections or approve a combination of revenue adjustments and reductions in expenditures. The State provides no assurances as to how, when or in what form this structural deficit might be addressed.

Bill Payment Delays

The absence of fully enacted General Funds Budgets for Fiscal Year 2016 and Fiscal Year 2017 contributed to a significant backlog of unpaid bills. The Comptroller's estimate of the amount of unpaid bills as of August 1, 2018 was approximately \$7.4 billion. A current estimate of unpaid bills is available on the GOMB website. See APPENDIX F—WEBSITE INDEX. The backlog of bills held by the Comptroller and the State agencies may increase unless balanced budgets are enacted in the future or other measures are taken to pay down the backlog. See "STATE FINANCIAL INFORMATION—FISCAL YEAR 2018 BUDGET— Fiscal Year 2018 Bill Payment Delays."

Severe Underfunding of the State's Retirement Systems

The State's retirement systems are severely underfunded. Over the past ten years, the funding levels for the State's retirement systems have deteriorated dramatically and are among the lowest in the nation with respect to state pension plans. The State's contributions to the retirement systems, while in conformity with State law, have been less than the contributions necessary to fully fund the retirement systems as calculated by the actuaries for the retirement systems. The unfunded actuarial accrued liability of the State's retirement systems (the amount by which the aggregate actuarial accrued liability exceeds the aggregate value of its assets) at the end of Fiscal Year 2017 totaled approximately \$129.1 billion on a fair value basis and \$128.9 billion on an actuarial basis, resulting in respective funded ratios (the ratio of the value of assets to the actuarial accrued liability, expressed as a percentage) that equaled 39.8% and 39.9%. The State is required to make contributions to the retirement systems pursuant to the Illinois Pension Code, as amended, at the level percentage of payroll necessary to reach a Funded Rate of 90% by the end of Fiscal Year 2045. As such, the State's contribution to the retirement systems is projected to increase substantially in future years. Such increased pension contributions may require the State to reduce other expenditures, adjust revenue collections or approve a combination of revenue adjustments and reductions in other expenditures. See APPENDIX E—PENSION AND OTHER POST EMPLOYMENT BENEFITS—"SOURCE INFORMATION," "ACTUARIAL ASSUMPTIONS," "HISTORY OF CONTRIBUTIONS TO THE RETIREMENT SYSTEMS," "FUNDED STATUS" and "PROJECTION OF CONTRIBUTIONS AND FUNDED STATUS."

Impact of Current and Future Health Care Reform Efforts Unpredictable; Future of Affordable Care Act Uncertain

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the "ACA"), provides for federal funding to states that choose to expand Medicaid. Under the ACA, the federal government pays states 95% of the costs of such Medicaid expansion for calendar year 2017 and 94% of the costs for calendar year 2018. The State participates in expanded Medicaid under the ACA pursuant to legislation enacted by the General Assembly in 2013 (the "Medicaid Expansion Legislation"). With respect to liability for the Fiscal Year ended June 30, 2017, the State received approximately \$3.3 billion from the federal government and, with respect to the liability for the Fiscal Year ended June 30, 2018, expects to receive approximately \$3.1 billion from the federal government for the base costs of its Medicaid expansion.

The ACA and its implementation have been, and remain, controversial. Accordingly, the ACA has continually faced legal and legislative challenges, including repeated repeal efforts, since its enactment. To date, no repeal bills have passed both chambers of Congress. If the provisions of the ACA providing for federal funding of Medicaid expansion are repealed, the State would either need to provide additional funds to cover the costs of the Medicaid expansion previously funded by the federal government or discontinue the provision of the expanded Medicaid benefits. Further, under the Medicaid Expansion Legislation, if the amount of funds provided by the federal government with respect to the Medicaid expansion declines below 90% of the cost of the Medicaid expansion, the State would no longer participate in the Medicaid expansion under existing statutes. The State makes no prediction as to the likelihood of the passage of any repeal bills or other health care reform bills, or the contents thereof.

Ratings

The Series of October 2018 Bonds have been rated by S&P Global Ratings (“S&P”), Fitch Ratings, Inc. (“Fitch”) and Kroll Bond Rating Agency, Inc. (“Kroll”). There is no assurance that such ratings will be maintained for any given period of time or that any rating will not be lowered or withdrawn entirely. Any revision or withdrawal of any such ratings could have a material adverse effect on the availability of a market for the Series of October 2018 Bonds or the prices at which the Series of October 2018 Bonds may be resold. See “RATINGS.”

Delays in Exercising Remedies

The rights and remedies of the Bondholders may be limited by and are subject to equitable principles that may affect the enforcement of creditors’ rights and liens securing such rights, the police powers of the State and its political subdivisions, the exercise of judicial discretion in appropriate cases and limitations on legal remedies against the State. The opinions of Co-Bond Counsel to be delivered with respect to the Series of October 2018 Bonds will be similarly qualified. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Series of October 2018 Bondholders to pursue remedies may result in delays in payment of the Series of October 2018 Bonds.

The State is not authorized to file for bankruptcy protection under current federal bankruptcy law. Furthermore, there are federal Constitutional issues which raise doubt about the legality of any legislation of the United States Congress that would purport to permit the State to adjust its debts in a proceeding under federal bankruptcy law.

Changes in Economic and Demographic Conditions

The Fiscal Year 2019 General Funds Budget is based on expectations and assumptions of the State that are subject to a number of known and unknown risks and uncertainties, many of which are beyond the State’s control. These include, among others, general economic conditions, demographic trends, natural disasters, terrorism, U.S. trade policy and reductions in or elimination of federal programs which may adversely affect the transfer of funds from the federal government to the State. In addition, U.S. trade policy may have an effect on the manufacturing segments of the State’s economy. See APPENDIX A—“PART III: ECONOMIC DATA” herein. Accordingly, the expectations and assumptions of the State upon which the Fiscal Year 2019 General Funds Budget are based may not be realized and the State’s financial condition could be further materially adversely affected. See “STATE FINANCIAL INFORMATION—FISCAL YEAR 2019 BUDGET.”

Forward Looking Statements

This Official Statement contains disclosures which contain “forward looking statements.” Forward looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” or “continue.” These forward looking statements are based on the current plans and expectations of the State and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, that could significantly affect current plans and expectations and the State’s future financial position including but not limited to changes in general economic conditions, demographic trends and federal programs which may affect the transfer of funds from the federal government to the State. As a consequence, current plans, anticipated actions and future financial positions may differ from those expressed in any forward looking statements made by the State herein. Investors are cautioned not to unduly rely on such forward looking statements when evaluating the information presented in this Official Statement.

Economic Factors May Adversely Affect the Amount of Sales Tax Revenues or the Value of the Bonds in the Secondary Market

Due to the character of the taxes that comprise the Revenues, the amount of Revenues collected by the State will be subject to various economic factors. The amount of Sales Tax revenues is dependent upon the level of sales of certain tangible personal property and the transfer of tangible personal property incident to a sale of service. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—REVENUES” for a description of such

taxes. Therefore, changes in local, national and international economic conditions, the rates of employment and economic growth, the availability of consumer credit and the level of consumer spending, and the level of residential and commercial development, among other things, will directly affect the amount of Revenues. Future Sales Tax receipts may fluctuate from historical levels and affect the level of debt service coverage provided by the Revenues for the Series of October 2018 Bonds. Adverse changes in economic conditions, demographic characteristics, population or commercial and industrial activity would negatively impact such debt service coverage.

The State is experiencing a gap between the State's general funds revenues and spending demands. See "—INVESTMENT CONSIDERATION RELATING TO THE FINANCIAL CONDITION OF THE STATE." The State will likely have to increase revenues or implement cuts in spending or some combination thereof to have a general funds budgetary balance. As a result of these decisions, residents or businesses may choose to relocate to other states. A drop in population would have an adverse impact on the amount of Sales Tax revenues.

Sales and Use Tax Not Collected on Certain Sales Over the Internet Adversely Affects Sales Tax Revenues

The future level of sales and use tax collections within the State may be adversely affected by the level of internet sales (also known as ecommerce). On June 4, 2018, Governor Rauner signed into law legislation that includes a "marketplace fairness" provision providing that a vendor is considered a "retailer maintaining a place of business" in the State if it makes sales of tangible personal property to buyers in the State, from outside of the State and have cumulative gross receipts from sales of such property of \$100,000 or more, or has 200 or more separate transactions for the sale of tangible personal property to Illinois buyers. The determination is made quarterly by looking 12 months back from the last day of March, June, September or December. If the criteria is met, the retailer must collect and remit sales tax for one year. At the end of that year, if the criteria continues to be met, collection continues. This new law is effective starting October 1, 2018.

Legally, consumers who are Illinois residents owe use tax to the State regardless of whether the retailer is obligated to collect use tax. However, administrative enforcement directly against consumers to collect use tax is extremely burdensome and does not result in satisfactory levels of compliance. Ecommerce vendors compete with local retail businesses and, in the future, the level of ecommerce could reduce the level of use tax collections which otherwise would have occurred within the State. Additionally, various federal legislative proposals are under consideration that could either enhance or restrict the State's authority to impose use tax collections on out-of-state retailers. A June 2018, United States Supreme Court decision, *South Dakota v. Wayfair, Inc.*, overruled prior court decisions which held that a state cannot require an out-of-state seller with no physical presence in the state to collect and remit sales taxes on goods the seller ships to consumers in the state, and determined that the physical presence rule, of such prior court decisions, is unsound and incorrect. The use of the internet by consumers for their purchases is subject to various market factors as well as consumer behavior and preferences. The ultimate impact of Internet sales on the level of use tax collection cannot be determined at this time.

Future Changes in Laws May Adversely Affect the Value of the Bonds

Various State laws and constitutional provisions apply to the imposition and collection of the Revenues. The Illinois General Assembly has the authority to amend the provisions of State laws governing the Sales Taxes. Changes to the tax base and exemptions could adversely affect the amount of Sales Tax revenues received by the State. Under the Act and the Indenture, however, the State has irrevocably covenanted and agreed with the Bondholders not to limit or alter certain provisions of the Act, the State Finance Act or the Indenture so as to impair certain obligations of contract incurred by the State in favor of the holders of the Series of October 2018 Bonds. See "SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—PLEDGE AND STATE COVENANT."

The Issuance of Additional Bonds Will Dilute the Security for the Bonds

The Series of October 2018 Bonds are "Junior Obligations" as defined and referred to in the Indenture, and their payment is subject to the prior payment of the various series of Senior Bonds that are currently outstanding and that may be authorized and issued as additional series of Senior Bonds for the purposes and upon the terms and conditions prescribed in the Indenture. All Senior Bonds are equally entitled to the benefit and security of the Indenture, including the pledge of the Revenues. The State has the right to issue additional Senior Bonds payable from the Revenues and secured by a lien on the Revenues that is superior to the lien of the Series of October 2018 Bonds if the specific conditions and requirements which are set forth in an additional bonds test are met. See

“SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—ISSUANCE OF ADDITIONAL SENIOR BONDS.” Furthermore, the State also has the right to issue additional Junior Obligations on a parity with the lien of the Series of October 2018 Bonds, if the specific conditions and requirements set forth in an additional bonds test is met by the State. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—ISSUANCE OF ADDITIONAL JUNIOR OBLIGATIONS.” The issuance of additional Senior Bonds or additional Junior Obligations (to the extent issued for purposes other than the refunding of Outstanding Bonds) would dilute the security for the Series of October 2018 Bonds and, in the event of a decline in the Revenues, could affect the level of debt service coverage provided by the Revenues for the Series of October 2018 Bonds.

INVESTMENT CONSIDERATIONS RELATING TO TAX EXEMPT MUNICIPAL OBLIGATIONS

Future Changes in Federal Tax Laws

As discussed under “TAX MATTERS” herein, there are or may be pending in the Congress of the United States legislative proposals relating to the federal tax treatment of interest on the Series of October 2018 Bonds, including some that carry retroactive effective dates, that, if enacted, could affect the market value of the Series of October 2018 Bonds. Reduction or elimination of the tax exempt status of obligations such as the Series of October 2018 Bonds could have an adverse effect on the State’s ability to access the capital markets to finance future capital or operational needs by reducing market demand for such obligations or materially increasing borrowing costs of the State.

Loss of Tax Exemption

As discussed under “TAX MATTERS” herein, interest on the Tax-Exempt Series of October 2018 Bonds could become includible in gross income of the owners thereof for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the State in violation of its covenants in the Tax Exemption Certificate and Agreement entered into in connection with the issuance of the Bonds or future Congressional actions. Should such an event of taxability occur, the Tax-Exempt Series of October 2018 Bonds are not subject to any special redemption solely as a result of the occurrence of events which would cause taxability and will remain outstanding until maturity or redeemed as described under “THE OFFERING—REDEMPTION.”

IRS Bond Examinations

The tax exempt bond office of the Internal Revenue Service (the “Service”) is conducting audits of tax exempt bonds, both compliance checks and full audits, with increasing frequency 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 the Service will commence any such audit. If an audit is commenced, under current procedures the Service may treat the State as a taxpayer and the Bondholders may have no right to participate in such proceeding. The commencement of an audit with respect to any tax exempt obligations of the State could adversely affect the market value and liquidity of the Tax-Exempt Series of October 2018 Bonds, regardless of the ultimate outcome.

No Secondary Market

There can be no assurances that a secondary market for the Bonds will be established, maintained or functioning. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Bonds to maturity.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SERIES OF OCTOBER 2018 BONDS - DEBT SERVICE SCHEDULE

The following table shows the annual debt service payments for the Series of October 2018 Bonds for each Fiscal Year.

Fiscal Year	Tax-Exempt Series A			Tax-Exempt Series B			Taxable Series C			Total Debt Service (\$)
	Principal (\$)	Interest (\$)	Total (\$)	Principal (\$)	Interest (\$)	Total (\$)	Principal (\$)	Interest (\$)	Total (\$)	
2018										
2019										
2020										
2021										
2022										
2023										
2024										
2025										
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
2035										
2036										
2037										
2038										
2039										
2040										
2041										
2042										
2043										
Totals										

OUTSTANDING BONDS - DEBT SERVICE SCHEDULE

The following table shows the annual debt service payments for each Fiscal Year after the issuance of the Series of October 2018 Bonds.

Fiscal Year	Build Illinois Series of October 2018			Outstanding Junior Build Illinois Bonds			Outstanding Senior Build Illinois Bonds			Total Debt Service
	Principal (\$)	Interest (\$)	Total (\$)	Principal (\$)	Interest (\$)	Total (\$)	Principal (\$)	Interest (\$)	Total (\$)	Total (\$)
2019				85,775,000	43,325,923	129,100,923	118,240,000	53,476,485	171,716,485	300,817,408
2020				91,695,000	39,254,974	130,949,974	96,275,000	48,821,272	145,096,272	276,046,246
2021				84,515,000	34,880,965	119,395,965	72,595,000	45,283,848	117,878,848	237,274,813
2022				101,000,000	31,026,840	132,026,840	66,570,000	42,813,508	109,383,508	241,410,348
2023				82,825,000	26,086,270	108,911,270	73,460,000	40,471,603	113,931,603	222,842,873
2024				75,630,000	22,127,610	97,757,610	73,460,000	37,676,382	111,136,382	208,893,992
2025				74,515,000	18,504,205	93,019,205	73,460,000	34,509,072	107,969,072	200,988,277
2026				72,665,000	14,964,814	87,629,814	73,460,000	31,443,842	104,903,842	192,533,656
2027				51,060,000	11,543,878	62,603,878	73,460,000	28,319,757	101,779,757	164,383,635
2028				43,560,000	9,302,162	52,862,162	59,460,000	25,040,462	84,500,462	137,362,624
2029				43,560,000	7,445,166	51,005,166	59,460,000	22,500,294	81,960,294	132,965,460
2030				35,455,000	5,586,405	41,041,405	59,460,000	19,947,626	79,407,626	120,449,031
2031				40,435,000	4,204,564	44,639,564	59,460,000	17,451,208	76,911,208	121,550,772
2032				33,800,000	2,778,008	36,578,008	59,460,000	14,861,040	74,321,040	110,899,048
2033				27,980,000	1,615,087	29,595,087	59,460,000	12,270,872	71,730,872	101,325,959
2034				25,515,000	771,451	26,286,451	59,460,000	9,664,454	69,124,454	95,410,905
2035					-	-	59,460,000	7,120,536	66,580,536	66,580,536
2036							59,460,000	4,576,618	64,036,618	64,036,618
2037							29,250,000	2,032,700	31,282,700	31,282,700
2038							16,750,000	773,850	17,523,850	17,523,850
2039										
2040										
Totals				969,985,000	273,418,322	1,243,403,322	1,302,120,000	499,055,428	1,801,175,428	3,044,578,750

Note: All bonds have a fixed interest rate. Totals might not sum due to rounding.

DEBT SERVICE COVERAGE

The State Share of Sales Tax Revenues constitutes one of the primary sources of deposits to the Retirement and Interest Fund. The Act provides that the State Share of Sales Tax Revenues is subject to a first and prior claim and charge in support of the Bonds until each monthly transfer is made to the Retirement and Interest Fund as required by the Act.

The State Share of Sales Tax Revenues for Fiscal Year 2018 was \$8,737 million, which amount was approximately 50.9 times the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and 27.1 times the maximum Net Debt Service Requirement for all Outstanding Senior Bonds plus the maximum Junior Annual Debt Service Requirement for all Outstanding Junior Obligations.

After the planned issuance of the Series of October 2018 Bonds, the State Share of Sales Tax Revenues for Fiscal Year 2018 would provide an estimated 50.9 times the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and an estimated 27.0 times the maximum Net Debt Service Requirement for all Outstanding Senior and Junior Obligations.

The limitations established in the Indenture for the issuance of additional Senior Bonds require that the maximum Net Debt Service Requirement for Outstanding Senior Bonds of all Series and for the proposed Series for the current or any future Fiscal Year not exceed five percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year. Those limitations effectively require that on the date of issuance of any Series of Senior Bonds, the State Share of Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 20 times coverage of the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and for such Series. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS —ISSUANCE OF ADDITIONAL SENIOR BONDS.”

The limitations established in the Indenture for the issuance of additional Junior Obligations require that the aggregate of (i) the maximum Net Debt Service Requirement for Outstanding Senior Bonds, (ii) the Junior Annual Debt Service for all Outstanding Junior Obligations and (iii) the Junior Annual Debt Service for the proposed Series for the current or any future Fiscal Year not exceed 9.8 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year. Those limitations effectively require that, on the date of issuance of any Series of Junior Obligations, the Share of State Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 10.2 times coverage of the maximum Net Debt Service Requirement for all Outstanding Senior Bonds, the Junior Annual Debt Service for all Outstanding Junior Obligations and for such Series. See “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS—ISSUANCE OF ADDITIONAL JUNIOR OBLIGATIONS.”

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

A summary of certain provisions of the Indenture can be found in APPENDIX I - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE. Reference is made to the Indenture for a complete statement of the provisions or contents thereof.

LITIGATION

There is no litigation pending, or to the knowledge of the State threatened, in any way questioning the title of the State officials to their respective offices or any proceedings of the State incident to the authorization and issuance of the Series of October 2018 Bonds, or in any way concerning the validity or enforceability of the Series of October 2018 Bonds, or the manner of payment thereof or the appropriation for the payment thereof.

The following describes certain lawsuits.

ILLINOIS (DEP'T OF CENTRAL MGMT. SERVS.) v. ILRB

On December 13, 2016, the Illinois Labor Board declared that the State and the American Federation of State, County and Municipal Employees, Council 31 (AFSCME), were at impasse in their negotiations for a 2015-19 collective bargaining agreement. AFSCME is the State's largest public sector union, representing

approximately 35,000 State employees. On December 22, 2016, the Illinois First District Court of Appeals issued a temporary stay preventing the State from implementing its last, best, and final offer pending AFSCME's appeal from the Illinois Labor Board's impasse declaration. On January 31, 2017, the Illinois Supreme Court determined that the appeal should be heard in the Illinois Fourth District Court of Appeals and consolidated several proceedings in that court. On March 1, 2017, the Fourth District made the First District's December 22, 2016 stay order permanent pending review of the merits. Opening briefs in the Fourth District were filed October 10, 2017, responses were filed February 27, 2018, replies were filed April 10, 2018, and oral arguments were held on June 13, 2018. The parties are awaiting the decision of the appellate court. Pending resolution, the State continues to pay its employees pursuant to the status quo of the prior collective bargaining agreement, subject to a compliance process before the Illinois Labor Relations Board regarding the application of step increases. The resolution of this case will have major implications on the matter before the ILRB described under "Collective Bargaining" below.

N.B. v. NORWOOD

N.B. v. Norwood, 11-6866 (N.D. Ill.), filed in 2011 and amended in 2012, is a certified class action lawsuit alleging that the Illinois Department of Healthcare and Family Services (HFS) is not in compliance with the Early and Periodic Screening Diagnostic and Treatment requirement of the federal Medicaid statute for treatment of children's behavioral and mental health disorders. Additionally, the class alleges that HFS is violating the federal Americans with Disabilities Act and the Rehabilitation Act by failing to provide services for these children in most community-integrated settings.

In February 2014, the Court certified a class of "[a]ll Medicaid eligible children under the age of 21 in the State of Illinois: (1) who have been diagnosed with a mental health or behavioral disorder; and (2) for whom a licensed practitioner of the healing arts has recommended intensive home and community-based services to correct or ameliorate their disorders."

The parties conducted settlement discussions, ultimately resulting in a consent decree that the district court preliminarily approved on October 27, 2017. The district court conducted a fairness hearing on December 19, 2017 and granted final approval to the consent decree on January 16, 2018. The consent decree requires HFS to develop, through an implementation plan, a behavioral health delivery model to provide a continuum of Medicaid-authorized mental and behavioral health services, and to achieve certain 5-year and 7-year benchmarks for implementation of the required services.

RASHO v. WALKER

Rasho v. Walker is a class-action lawsuit, filed in 2007, that challenges the constitutional adequacy of the mental health services provided statewide to offenders who are designated as mentally ill. As of July 25, 2018, the Department of Corrections ("DOC") had 12,166 offenders on the mental health caseload, with 5,061 of those offenders designated as seriously mentally ill. In March 2012, Dr. Fred Cohen generated a report that identified various deficiencies in DOC's mental health services. Cohen surmised that DOC was deliberately indifferent to the needs of the seriously mentally ill population. As a result of that report, DOC began engaging in settlement negotiations with the Plaintiffs, and ultimately agreed to be bound by an agreed order in anticipation of entering into a consent decree, requiring the DOC to change many DOC practices including, but not limited to, filling mental health staffing vacancies, procuring inpatient care for the most seriously mentally ill offenders, and coming up with a comprehensive plan to improve the DOC mental health care system. The Agreed Order is essentially moot, as DOC ended consent decree negotiations. However, as part of the comprehensive plan previously agreed to by the then court-appointed monitor and Plaintiffs, DOC established four levels of care: inpatient, residential, outpatient and crisis, and began making plans to provide care at each level, which included capital projects. Offenders in need of inpatient level of care need to be housed in a forensic hospital-like setting, the location is yet to be determined but discussions have centered on DHS' Elgin Mental Health Center. Offenders in need of residential treatment will be housed in residential treatment units ("RTUs") - to be located at Dixon, Logan, IYC Joliet and Pontiac. In addition to serving the residential treatment population, IYC Joliet will also serve the sub-acute and behavioral management populations. Establishment of these levels of care and housing units has required extensive hiring and construction planning which has already started at each of the four residential treatment facilities.

On May 13, 2016, the judge approved the parties' settlement agreement. Under the settlement agreement (not a consent decree), the parties agreed that the Court would retain jurisdiction for at least a three-year period after the approval of a state budget to allow DOC time to (1) fully develop the four levels of care, (2) complete necessary capital projects, (3) hire and train requisite staff and, ultimately, and (4) revamp DOC's entire mental health system. The settlement agreement allowed plaintiffs to reopen litigation in the event of non-compliance with the terms of the agreement. On October 10, 2017, plaintiffs filed a motion to enforce their rights under the settlement agreement (Dkt. 1559), which they later converted into a motion for preliminary injunction (Dkt. 1675). After the Court granted the motion for preliminary injunction (Dkt. 2070), plaintiffs moved for a permanent injunction (Dkt. 2112). The Court accordingly conducted a trial over the course of eight days on August 27–31 and September 5–7, 2018. The purpose of the trial was to determine if plaintiffs could prove they are entitled to a permanent injunction to correct current and ongoing systemic violations of the Eighth Amendment and the ADA/Rehabilitation Act as a result of deliberate indifference to the mental health needs of the plaintiff class throughout the IDOC system.

During a status hearing on September 28, 2018, the Court announced its intention to issue a permanent injunction based on a finding that the plaintiffs have met their burden of proof. The Court also stated that it would issue a liability ruling (without the ordered relief) by approximately October 12, 2018. The Court agreed that after it issues this ruling, DOC will be permitted to submit proposed relief to address the identified constitutional violations by the least intrusive means necessary. Plaintiffs will be permitted to comment on the proposed relief, after which the Court will issue a final judgment order, most likely in late October or November 2018.

GRANT V. DIMAS

Grant v. Dimas, Case No. 2017-CH-12080, is a proposed class action in the Cook County Circuit Court by personal assistants employed by the Illinois Department of Human Services (“DHS”) and the Service Employees International Union, Healthcare Illinois and Indiana (“SEIU”). The suit seeks a wage increase under P.A. 100-0023, which stated that the hourly wage paid to personal assistants and individual maintenance home health workers shall be increased by \$0.48 per hour beginning August 5, 2017. The State filed a motion to dismiss on the basis that the rate of pay is required to be collectively bargained, and the court denied the motion. The State filed a motion to reconsider, and the plaintiffs filed a motion for summary judgment. The court ruled on both motions on March 13, 2018, denying the motion to reconsider and granting the motion for summary judgment. The court ordered the State to implement the \$.48-cent wage increase for all personal assistants and individual maintenance home health workers for all hours worked beginning August 5, 2017 by March 21, 2018. The State sought and was granted a stay of the court's order so that it could appeal the ruling. An appeal to the First District Court of Appeals is fully briefed. The State is making payments into an escrow account held by the State Comptroller pending a final decision. To date, nearly \$17 million has been set aside. The State estimates that the amounts being set aside will be sufficient to pay any wage increases that may be required pursuant to a final order.

CAHOKIA UNIT SCHOOL DISTRICT NO. 187 V. GOV. RAUNER AND THE STATE OF ILLINOIS

Cahokia Unit School District No. 187 v. Gov. Rauner and the State of Illinois, Case No. 2017-CH-301, is a suit filed in St. Clair County by 22 school districts to compel the State of Illinois to increase funding for public schools. Plaintiffs filed an Amended Complaint on May 21, 2018 claiming as a matter of constitutional right that the State's funding of K-12 public education should increase by an additional \$7.2 billion and seeking a judgment requiring the State to pay nearly double the existing appropriation. The State filed a motion to dismiss on July 20, 2018, the plaintiffs filed a response on August 24, 2018, and the State filed a reply on September 14, 2018. The motion to dismiss is scheduled for hearing on October 2, 2018.

KOSS V. NORWOOD AND DIMAS

Koss v. Norwood and Dimas, Case No. 17-cv-2762, is a proposed class action in the Northern District of Illinois that was filed in April 2017 on behalf of individuals seeking eligibility for and payment of long-term care Medicaid benefits in nursing facilities and supportive living facilities. The plaintiffs allege that the Department of Health and Family Services and Department of Human Services fail to make a timely determination of eligibility and to pay those benefits, and they seek an order requiring the departments to make timely determinations and payments, including by presuming eligibility for benefits. On March 29, 2018, Judge Gottschall

certified a class and issued a preliminary injunction requiring the state defendants to determine the eligibility of class members for long-term care Medicaid benefits by June 28, 2018 and, beginning June 28, 2018, to pay the long-term care services and other Medicaid benefits to class members while their applications remain pending beyond the Medicaid Act's deadlines for eligibility determination. The state defendants filed a motion for reconsideration of that order on April 26, 2018, which was denied.

COLLECTIVE BARGAINING

Approximately 93% of State employees are covered by collective bargaining agreements. As of May 31, 2017, the State completed negotiations with 21 labor organizations for successor collective bargaining agreements for the July 1, 2015-June 30, 2019 time period, covering approximately 5,000 employees. The State continues to negotiate with other labor organizations representing the remaining employees under the jurisdiction of the Governor. The State has entered into tolling agreements with several unions, including the American Federation of State, County and Municipal Employees ("AFSCME") (which represents approximately 83% of those State employees covered by collective bargaining agreements).

These agreements provide that neither party will implement a strike or lockout until they are at an impasse in negotiations.

After nearly a year of negotiations with AFSCME, on January 15, 2016, the State asked the Illinois Labor Relations Board (the "ILRB") to determine whether negotiations between the State and AFSCME are at an impasse. The ILRB ruled in favor of the State, and AFSCME sought judicial review in the appellate courts. The Appellate Court issued a stay that prohibits the parties from changing the status quo pending appeal. Until the dispute is resolved, the parties continue to operate under their statutory obligations pursuant to the tolling agreements.

Relatedly, after the expiration of the collective bargaining agreement, the State stopped paying step increases to employees under the AFSCME contract. AFSCME filed an unfair labor practices charge, arguing that doing so failed to preserve the status quo between the parties during negotiations. The ILRB dismissed the charge, finding that the status quo included payment of step increases only by agreement of the parties. On November 6, 2017 the Illinois Appellate Court for the Fifth District reversed the ILRB and remanded for further proceedings. On December 11, 2017, the State petitioned for leave to appeal in the Illinois Supreme Court. The Illinois Supreme Court denied the petition on March 21, 2018. The matter was remanded to the ILRB to take action consistent with the decision of the Appellate Court for the Fifth District, including consideration of whether there are sufficient appropriations to cover the wage increases and determination of an appropriate remedy for the nonpayment of wage increases (the "*AFSCME Decision*").

On remand, the ILRB issued an order dated July 10, 2018, directing the State to restore the status quo of paying step increases and to "make whole" the bargaining unit employees. The ILRB referred the matter to its compliance process to address specific issues necessary to implement the make whole order, and that process is ongoing. The ILRB's compliance officer issued an order on August 29, 2018, directing the State to produce, by October 1, 2018, certain information necessary for the determination of potential amounts due to bargaining unit employees in accordance with the ILRB's July order. On October 1, 2018, the State presented to the compliance officer some of the requested information and an explanation of the work it is doing toward producing the remainder of the requested information. The State is continuing to collect and verify data, and calculate potential amounts due, as requested by the compliance officer, while awaiting further instruction.

The State's potential financial exposure in this matter will be affected significantly by the way remaining legal issues are decided in ILRB proceedings and in the related case of *Illinois (Dep't of Central Mgmt. Servs.) v. ILRB* described above under "Litigation." The primary legal dispute regards the time period during which step increases should have been paid to employees. The ILRB's compliance officer ordered an administrative hearing to further address this legal issue. Based on early approximations, the State's financial exposure for wages, FICA and pension costs likely ranges somewhere between \$170 million and \$500 million, depending on the time period during which step increases should have been paid; provided, however, that these estimates are preliminary and the State is in the process of calculating precise amounts.

PURCHASE

The Purchasers set forth on the cover of this Official Statement will agree, subject to the approval of certain legal matters by counsel and to certain other conditions, to purchase the Tax-Exempt Series A Bonds at a price of \$ _____, representing the par amount of the Tax-Exempt Series A Bonds, plus a net original issue discount/premium of \$ _____, less the Purchaser's discount of \$ _____; to purchase the Tax-Exempt Series B Bonds at a price of \$ _____, representing the par amount of the Tax-Exempt Series B Bonds, plus a net original issue discount/premium of \$ _____, less the Purchaser's discount of \$ _____; and to purchase the Taxable Series C Bonds at a price of \$ _____, representing the par amount of the Taxable Series C Bonds, plus a net original issue discount/premium of \$ _____, less the Purchaser's discount of \$ _____. The Purchasers will agree to purchase all of the related series of Series of October 2018 Bonds if any of such series of the Series of October 2018 Bonds are purchased. The Purchasers have agreed to make a bona fide public offering of the related series of Series of October 2018 Bonds at not in excess of the public offering prices set forth on the inside cover page of this Official Statement.

TAX MATTERS

Tax Exempt Bonds

Summary of Co-Bond Counsel Opinion in connection with the Tax-Exempt Bonds

Co-Bond Counsel are of the opinion that under existing law, interest on the Tax-Exempt Series A Bonds and the Tax-Exempt Series B Bonds (collectively, the "*Tax-Exempt Bonds*") is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "*Code*"), Co-Bond Counsel are of the opinion that interest on the Tax-Exempt Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Co-Bond Counsel are further of the opinion that the Tax-Exempt Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code and, accordingly, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income. Interest on the Tax-Exempt Bonds is not exempt from Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Tax-Exempt Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. These requirements relate to the use and investment of the proceeds of the Tax-Exempt Bonds, the payment of certain amounts to the United States, the security and source of payment of the Tax-Exempt Bonds and the use of the property financed with the proceeds of the Tax-Exempt Bonds.

Tax-Exempt Bonds Purchased at a Premium or at a Discount

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

Bond premium and original issue discount are amortized over the term of a Tax-Exempt Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Tax-Exempt Bond for federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Tax-Exempt Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Tax-Exempt Bonds. In addition, owners of Tax-Exempt Bonds should

consult their tax advisors with respect to the state and local tax consequences of owning the Tax-Exempt Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Exclusion from Gross Income: Requirements

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

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

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

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

Covenants to Comply

The State has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

Risks of Non-Compliance

In the event that the State fails to comply with the requirements of the Code, interest on the Tax-Exempt Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue. In such event, the State’s agreements with the owners of the Tax-Exempt Bonds require neither acceleration of payment of principal of, or interest on, the Tax-Exempt Bonds nor payment of any additional interest or penalties to the owners of the Tax-Exempt Bonds.

Federal Income Tax Consequences

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

Cost of Carry. Owners of the Tax-Exempt Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Tax-Exempt Bonds. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Tax-Exempt Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Tax-Exempt Bonds is taken into account in computing the corporate alternative minimum tax (but only for tax years beginning in 2017) the branch profits tax imposed on certain foreign

corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Tax-Exempt Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Tax-Exempt Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Tax-Exempt Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Financial Institutions. Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Tax-Exempt Bonds.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Tax-Exempt Bonds held by such a company is properly allocable to the shareholder.

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

Taxable Bonds

The following is a summary of the principal United States federal income tax consequences of ownership of the Taxable Series C Bonds (the “*Taxable Bonds*”). This summary deals only with the Taxable Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold the Taxable Bonds as a hedge or as hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the United States dollar.

The Code contains a number of provisions relating to the taxation of the Taxable Bonds (including but not limited to the treatment of and accounting for interest, premium, and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of the Taxable Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of the Taxable Bonds.

United States Federal Income Tax Considerations for United States Holders

Payments of Interest to United States Holders. Interest on the Taxable Bonds will be taxable to a United States Holder (as defined below) as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes in accordance with generally applicable principles.

The term “*United States Holder*” refers to a beneficial owner of a Taxable Bond for United States federal income tax law purposes and that is:

- a citizen or resident of the United States;
- a corporation or partnership which is created or organized in or under the laws of the United States or of any political subdivision thereof;

- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (2) the trust was in existence on August 10, 1996 and properly elected to continue to be treated as a United States person.

The term “*Non-U.S. Holder*” refers to any beneficial owner of a Taxable Bond who or which is not a United States Holder.

Sale and Retirement of the Taxable Bonds. United States Holders of any Taxable Bonds must recognize any gain or loss on the sale, redemption, retirement or other disposition of their Taxable Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of a Taxable Bond and the United States Holder’s adjusted tax basis in the Taxable Bond. Such gain or loss is capital gain or loss, except to the extent of accrued market discount not previously included in income, and is long term capital gain or loss if at the time of disposition such Taxable Bond has been held for more than one year.

Unearned Income Medicare Contribution Tax. A 3.8% Medicare contribution tax is imposed on the “net investment income” of certain United States individuals and on the undistributed “net investment income” of certain estates and trusts. Among other items, “net investment income” generally includes interest and certain net gain from the disposition of property (such as the Taxable Bonds), less certain deductions.

United States Federal Income Tax Considerations for Non-U.S. Holders

Withholding Tax on Payments of Principal and Interest on Taxable Bonds. Generally, subject to the discussion of FATCA below, payments of principal and interest on a Taxable Bond will not be subject to United States federal withholding tax, provided that in the case of an interest payment:

- the beneficial owner of the Taxable Bond is not a bank to which the Taxable Bonds constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- either (A) the beneficial owner of the Taxable Bond certifies to the applicable payor or its agent, under penalties of perjury on an IRS Form W-8BEN (or a suitable substitute form), that such owner is not a United States person and provides such owner’s name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business (a “financial institution”) and holds the Taxable Bond, certifies under penalties of perjury that such an IRS Form W-8BEN (or suitable substitute form) has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof.

Except to the extent otherwise provided under an applicable tax treaty, a beneficial owner of a Taxable Bond generally will be taxed in the same manner as a United States Holder with respect to interest and original issue discount payments on a Taxable Bond if such interest and original issue discount is effectively connected with such owner’s conduct of a trade or business in the United States. Effectively connected interest received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

Gain on Disposition of the Taxable Bonds. A beneficial owner of a Taxable Bond generally will not be subject to United States federal income tax on gain realized on the sale, exchange or redemption of a Taxable Bond unless:

- such owner is an individual present in the United States for 183 days or more in the year of such sale, exchange or redemption and either (A) such owner has a “tax home” in the

United States and certain other requirements are met, or (B) the gain from the disposition is attributable to such owner's office or other fixed place of business in the United States; or

- the gain is effectively connected with such owner's conduct of a trade or business in the United States.

Taxation of Payments under FATCA to Foreign Financial Institutions and Certain Other Non-U.S. Holders that are Foreign Entities. A 30% withholding tax generally will apply to payments of interest on, and after December 31, 2016, on gross proceeds from the disposition of, the Taxable Bonds that are made to Non-U.S. Holders that are financial institutions and certain non-financial entities. Such withholding tax, imposed under sections 1471 through 1474 of the Code, or FATCA, generally will not apply where such payments are made to (i) a Non-U.S. Holder that is a financial institution that enters into an agreement with the IRS to, among other requirements, undertake to identify accounts held by certain United States persons or U.S.-owned foreign entities, report annually certain information about such accounts and withhold tax as may be required by such agreement (or otherwise complies with an applicable intergovernmental agreement with respect to FATCA), or (ii) a Non-U.S. Holder that is a non-financial entity that certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. A Non-U.S. Holder generally will be required to provide information with respect to its status for FATCA purposes, generally on the appropriate IRS Form W-8 or any successor form, to avoid withholding taxes under FATCA. Prospective investors should consult their own tax advisors regarding the application and requirements of these information reporting and withholding provisions under FATCA.

U.S. Federal Estate Tax. A Taxable Bond held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) is not subject to United States federal estate tax if at the time of the individual's death, payments with respect to such Taxable Bond are not effectively connected with the conduct by such individual of a trade or business in the United States.

Backup Withholding and Information Reporting

United States Holders. Information reporting applies to payments of interest on the Taxable Bonds, or the proceeds of the sale or other disposition of the Taxable Bonds with respect to certain non-corporate United States holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's United States federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders. Backup withholding and information reporting on Form 1099 does not apply to payments of principal and interest on the Taxable Bonds to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "United States Federal Income Tax Considerations for Non-U.S. Holders-Withholding Tax on Payments of Principal and Interest on Bonds" or otherwise establishes an exemption (provided that neither the Authority nor its agent has actual knowledge that the holder is a United States person or that the conditions of any other exemptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non-U.S. Holder on Form 1042-S.

Information reporting and backup withholding generally do not apply to a payment of the proceeds of a sale of Taxable Bonds effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of Taxable Bonds effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a United States trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a Non-U.S. Holder (and such broker has no actual knowledge to the contrary) and certain conditions are met, or the holder otherwise establishes an

exemption. Payment by a United States office of a broker of the proceeds of a sale of Taxable Bonds will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's United States federal income tax liability provided the required information is furnished to the IRS.

State Tax Matters

Interest on the Bonds is not exempt from State of Illinois income taxes.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Series of October 2018 Bonds to send certain information annually and to provide notice of certain events to the MSRB pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the SEC under the 1934 Act. The proposed form of the Undertaking is included as APPENDIX H to this Official Statement.

In the previous five years, there have been certain failures by the State in connection with its continuing disclosure filings.

- For Fiscal Years 2011 through 2014, the annual financial information for the State's Civic Center Bonds (Special State Obligation Bonds) Series 1990B, 1991, 1998 and 2000 omitted tables titled "Revenues and Cash Expenditures-General Revenue Fund" and "Cash Expenditures by Category and Function-General Revenue Fund." A Failure to File Annual Financial Information was filed on EMMA on December 15, 2015, noting the correction.
- For Fiscal Years 2011 through 2014, the annual financial information for the State's Certificates of Participation (Bureau of the Budget) Series 1995A and 1996A; the State's Participations (Acting by the Department of Central Management Services) Series 1996 (For Benefit of Environmental Protection Agency) and Series 1999 (For Benefit of the Illinois Department of Transportation); the State's Participations (Acting by the Department of Central Management Services) Series 1996 (For Benefit of the Department of Public Aid); and certain series of the State's General Obligation Bonds omitted some or all of the tables titled "Cash Expenditures by Category -- Road Fund," "General Funds Appropriations" and "Illinois School Enrollment." A Failure to File Annual Financial Information was filed on EMMA on December 30, 2015, noting the correction.
- The State failed to submit a timely event notice describing a June 6, 2013 downgrade by Moody's for CUSIP numbers relating to those series of Build Illinois Bonds rated by Moody's.

There have also been numerous rating actions reported by the rating agencies affecting the municipal bond insurance companies, some of which had insured obligations previously issued by the State. In some instances, event notices were not timely filed in respect of these ratings changes.

The State has filed its "Annual Financial Information" within the time periods prescribed in its various continuing disclosure undertakings. During the last five years, the State's Comprehensive Annual Financial Report ("Audited Financial Statements") has not been available when the Annual Financial Information has been filed, but has been filed within 30 days after its availability to GOMB.

A failure by the State to comply with the Undertaking will not constitute a default under the Bond Sale Order, adopted by the Governor and the Director authorizing the issuance of the Series of October 2018 Bonds (the "Bond Sale Order"), and beneficial owners of the Series of October 2018 Bonds are limited to the remedies described in the Undertaking. A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the

purchase or sale of the Series of October 2018 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series of October 2018 Bonds and their market price.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series of October 2018 Bonds are subject to the approving legal opinions of Katten Muchin Rosenman LLP and Charity & Associates, P.C, Chicago, Illinois, Co- Bond Counsel, who act as Co-Bond Counsel to the State. Co-Bond Counsel make no representation as to the suitability of the Series of October 2018 Bonds for investment by any investor. The opinions of Co-Bond Counsel will accompany the delivery of the Series of October 2018 Bonds and be in substantially the forms included in this Official Statement as APPENDIX B. Foley & Lardner LLP (“Foley”) has also been retained by the State to serve as Disclosure Counsel to the State with respect to the Series of October 2018 Bonds. Although as Disclosure Counsel to the State, Foley has assisted the State with certain disclosure matters, Foley has not undertaken to independently verify the accuracy, completeness or fairness of this Official Statement or other offering material related to the Series of October 2018 Bonds and does not guarantee the accuracy, completeness or fairness of such information. Foley’s engagement as Disclosure Counsel was undertaken solely at the request and for the benefit of the State, to assist it in discharging its responsibility with respect to this Official Statement, and not for the benefit of any other person (including the Purchaser and any person purchasing Series of October 2018 Bonds from the Purchaser), and did not include any obligation to establish or confirm factual matters, forecasts, projections, estimates or any other financial or economic information in connection therewith. The fees of Co-Bond Counsel and Disclosure Counsel for services rendered with respect to the sale of the Series of October 2018 Bonds are contingent upon the issuance and delivery of the Series of October 2018 Bonds.

RATINGS

S&P has assigned a rating of “AA-” with a Stable Outlook to the Series of October 2018 Bonds, Fitch has assigned a rating of “A-” with a Negative Outlook to the Series of October 2018 Bonds and Kroll has assigned a rating of “AA+” with a Stable Outlook to the Series of October 2018 Bonds.

These ratings reflect the view of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. As part of the State’s application for the ratings, certain information and materials, some of which are not contained in this Official Statement, have been supplied to the rating agencies. The ratings are neither a “market” rating nor a recommendation to buy, sell or hold the Series of October 2018 Bonds and the ratings and the Series of October 2018 Bonds should be evaluated independently.

The State will provide appropriate periodic credit information necessary for maintaining ratings on the Series of October 2018 Bonds to the rating agencies. Except as may be required by the Continuing Disclosure Undertaking, the State undertakes no responsibility either to bring to the attention of the owners of the Series of October 2018 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal. If assigned, there is no assurance that any such ratings will be maintained for any given period of time or that they will not be lowered or withdrawn entirely. Any revision or withdrawal of any such ratings may have an adverse effect on the prices at which the Series of October 2018 Bonds may be resold.

On September 24, 2018, S&P released its Advance Notice of Proposed Criteria Change relating to priority-lien tax revenue debt. In such Advance Notice, S&P indicated that it intends to publish within the next two months its revised criteria for assigning ratings and related credit products to priority-lien revenue debt issued by municipal governments, state governments, or other U.S. public finance obligors where the pledged revenue stream is limited. In a prior published statement S&P indicated that it is considering a revised criteria for priority lien tax revenue debt that would formally link the rating on priority-lien tax secured debt issues to the general creditworthiness of the obligor. In the September 24, 2018 release, S&P also confirmed that any new criteria will be effective upon publication and that the current criteria will remain in effect until the new criteria are published. The purchasers of the Series of October 2018 Bonds will not have the right to terminate its obligations to purchase, to accept delivery of and to pay for the Series of October Bonds if, between the sale date and the date of delivery of the Series of October 2018 Bonds, there is a change in the ratings on any or all of the Series of October Bonds.

LEGAL INVESTMENT

Under the Act, the Series of October 2018 Bonds are securities in which all public officers and bodies of the State and all political subdivisions of the State and other persons carrying on an insurance business, all banks, bankers, trust companies, saving banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all credit unions, pension funds, administrators, and guardians who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

The Act also provides that the Series of October 2018 Bonds are securities which may be deposited with and may be received by all public officers and bodies of the State and all political subdivisions of the State and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

FINANCIAL ADVISOR

Acacia Financial Group, Inc. is employed as Financial Advisor to the State in connection with the issuance of the Series of October 2018 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series of October 2018 Bonds is contingent upon the issuance and delivery of the Series of October 2018 Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

AUTHORIZATION

In accordance with the Act and Indenture, the Series of October 2018 Bonds will be issued pursuant to a Bond Sale Order of the Director of the GOMB, to be approved by the Governor of the State.

MISCELLANEOUS

The information contained in this Official Statement is subject to change without notice and no implication may or shall be derived therefrom or from the sale of the Series of October 2018 Bonds that there has been no change in the affairs of the State or the information contained in this Official Statement since the dates as of which such information is given. Any statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State and the purchaser of any of the Series of October 2018 Bonds.

The State has authorized the distribution of this Official Statement.

This Official Statement has been duly executed and delivered by the Director of GOMB on behalf of the State.

STATE OF ILLINOIS

By: _____
Director, Governor's Office of Management and
Budget

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS

ECONOMIC DATA

Illinois is a state of diversified economic strength. Based on data from the U.S. Department of Commerce Bureau of Economic Analysis, the Illinois economy is the 5th largest in the United States and, based on information from the International Monetary Fund and the World Bank, the Illinois economy is the 19th largest in the world. Personal income and workforce composition in Illinois are similar to that of the United States as a whole. Measured by per capita personal income, Illinois ranks third among the ten most populous states and sixteenth among all states. Chicago serves as the transportation center of the Midwest and the headquarters of many of the nation's major corporations and financial institutions. Table A-1 shows Illinois has a historically higher per capita GDP than the Great Lakes Region and the United States. Table A-2 shows the distribution of Illinois non-agricultural employment by industry sector.

The Bonds are primarily secured by Sales Tax revenues. Adverse changes in general economic conditions in the State could impact the future rate of growth reflected in the following tables, including the growth and volume of retail sales and Sales Tax revenues. See "CERTAIN INVESTMENT CONSIDERATIONS—INVESTMENT CONSIDERATIONS RELATING TO THE SECURITY FOR THE BONDS."

Table A-1
PER CAPITA REAL GDP (CHAINED 2009 DOLLARS)
CALENDAR YEARS 2013-2017

	2013	2014	2015	2016	2017
United States	\$48,534	\$49,329	\$50,301	\$50,660	\$51,337
Illinois	51,919	52,984	53,709	54,308	55,102
Great Lakes Region	46,076	47,035	47,644	48,276	49,034

Source: Bureau of Economic Analysis, current data as of July 23, 2018.

Table A-2
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
CALENDAR YEAR 2017
(Thousands)

Industry Employment Sector	Illinois	% of Total	U.S.	% of Total
Financial Activities	391	6.5%	8,455	5.8%
Manufacturing	577	9.5%	12,444	8.5%
Trade, Transportation and Utilities	1,213	20.0%	27,494	18.8%
Leisure and Hospitality	610	10.1%	16,052	10.9%
Education and Health Services	924	15.2%	23,186	15.8%
Mining, Logging, Information and Other Services	357	5.9%	9,249	6.3%
Government	831	13.7%	22,322	15.2%
Professional and Business Services	940	15.5%	20,467	14.0%
Construction	220	3.6%	6,955	4.7%
Total	6,063	100.0%	146,624	100.0%

Source: Bureau of Labor Statistics, July 23, 2018. Both State and National data are not seasonally adjusted.

Illinois ranks prominently among states for agricultural activity and exports. Table A-9 summarizes key agricultural production statistics including rank among all states in 2016.

TABLE A-3
AGRICULTURAL EXPORTS
CALENDAR YEAR 2016
(\$ in Millions)

Agricultural Exports	U.S. Total	Illinois Share	% of U.S.	Rank
All Commodities	\$134,690	\$8,240	6.1%	3
Soybeans	22,820	3,114	13.6%	2
Corn	9,891	1,564	15.8%	2
Feeds	8,818	1,182	13.4%	2
Grain Products	3,774	428	11.3%	2

Source: U.S. Department of Agriculture, Economic Research Service. Calendar year 2016 is the most recent calendar year for which information is available, which data was most recently revised as of July 30, 2018.

U.S. trade policy has generated some concern among certain U.S. producers who fear retaliatory tariffs may increase import costs, decrease commodity prices, disrupt supply lines and possibly cause an economic slowdown. Many argue that the main risk to trade growth is uncertainty regarding the direction of U.S. trade policy. In Illinois, the agricultural and manufacturing industries are the most export-dependent industries. Higher tariffs on imports will likely lead to retaliation by trading partners, which could reduce exports. For example, China has announced it is imposing tariffs on imports of U.S. soybeans and is diverting some of its purchasing to Brazilian production in response to President Trump's tariffs on steel, aluminum and solar imports.

Per capita income in Illinois is greater than the average in both the United States and the Great Lakes Region. Table A-10 presents per capita income comparisons, and Table A-11 shows unemployment rate comparisons for the United States, Illinois and its metropolitan areas.

TABLE A-4
PER CAPITA PERSONAL INCOME
CALENDAR YEARS 2014-2017

	2014	2015	2016	2017	2017 Rank
Illinois	48,809	50,745	51,679	52,808	15
United States	46,486	48,429	49,204	50,392	--
Ten Most Populous States:					
New York	56,111	58,324	59,289	60,991	1
California	51,317	54,664	56,308	58,272	2
Illinois	48,809	50,745	51,679	52,808	3
Pennsylvania	47,978	49,815	50,730	52,096	4
Texas	45,861	46,787	46,204	46,942	5
Florida	43,045	45,388	45,855	46,858	6
Ohio	42,200	43,803	44,561	45,615	7
Michigan	40,835	43,072	44,231	45,255	8
North Carolina	39,531	41,351	42,203	43,303	9
Georgia	39,142	41,020	42,146	43,270	10
Great Lakes States:					
Illinois	48,809	50,745	51,679	52,808	1
Wisconsin	44,351	46,025	46,809	47,850	2
Ohio	42,200	43,803	44,561	45,615	3
Michigan	40,835	43,072	44,231	45,255	4
Indiana	40,482	41,862	43,091	44,165	5

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Current data as of March 22, 2018.

TABLE A-5
UNEMPLOYMENT RATE (%)
CALENDAR YEARS 2013-2017*

	2013	2014	2015	2016	2017
United States	7.4	6.2	5.3	4.9	4.4
Illinois	9.0	7.1	6.0	5.8	5.0
Bloomington-Normal MSA	6.7	5.6	4.9	5.1	4.1
Carbondale-Marion MSA	8.5	6.8	5.9	5.7	4.8
Champaign-Urbana MSA	7.4	6.0	5.2	5.1	4.2
Chicago-Naperville-Elgin MSA	9.1	7.1	5.9	5.8	4.9
Danville MSA	10.6	8.4	7.1	7.1	6.3
Davenport-Moline-Rock Island MSA	7.0	6.2	5.6	5.4	4.4
Decatur MSA	11.3	8.5	7.0	6.6	5.5
Kankakee MSA	10.3	7.9	6.7	6.3	5.2
Peoria MSA	9.0	7.1	6.4	6.5	5.4
Rockford MSA	10.4	8.2	6.9	6.5	6.4
Springfield MSA	7.3	5.9	5.2	4.8	4.2

Source: U.S. Department of Labor, Bureau of Labor Statistics, data as of July 23, 2018.

Note: Regional and State data are not seasonally adjusted, US is seasonally adjusted. 2017 data were subject to revision 2018.

*The Bureau of Labor Statistics' preliminary unemployment reading for the State of Illinois for August, 2018 was 4.1%.

Illinois is the nation's sixth most populous state.

Table A-6
POPULATION
ILLINOIS AND SELECTED METROPOLITAN STATISTICAL AREAS
By Census Years

	1990	2000	2010
Illinois	11,430,602	12,419,293	12,830,632
Chicago CMSA (IL Part)	7,410,858	8,272,768	8,586,609
St. Louis MSA (IL Part)	588,995	599,845	633,042
Rockford MSA	283,719	320,204	349,431
Peoria MSA	358,552	366,899	379,186
Springfield MSA	189,550	201,437	210,170
Champaign-Urbana MSA	202,848	210,275	231,891

Source: U.S. Bureau of the Census, as of July 9, 2018

Table A-7
ILLINOIS POPULATION BY AGE GROUP
By Calendar Year

	2017	% of Total Population
Under 18 years	2,897,185	22.6%
18 to 24 years	1,195,103	9.3%
25 to 44 years	3,415,241	26.7%
45 to 64 years	3,349,096	26.2%
65 years and over	1,945,398	15.2%
Total	12,802,023	100%

Source: U.S. Bureau of the Census, as of July 23, 2018.

In 2018, 37 companies on the Fortune 500 list had headquarters located in Illinois. Illinois is among the top four states for number of businesses on the Fortune 500 list: New York: 58; California: 49; Texas: 48; and Illinois: 37. The State's reauthorization of the EDGE (Economic Development for a Growing Economy) program, which provides tax incentives to encourage companies to locate or expand operations in the State over competing states, will improve the State's ability to compete for major economic development projects.

**TABLE A-8
ILLINOIS-BASED COMPANIES INCLUDED IN THE FORTUNE 500**

Rank			Revenues	Assets	Profits			
2018	2017	Company	(millions USD)	(millions USD)	(millions USD)	Industry Category	Location	No. of Employees
19	17	Walgreens Boots Alliance	\$118,214	\$66,009	\$4,078	Food and Drug Stores	Deerfield, IL	290,000
27	24	Boeing	93,392	92,333	8,197	Aerospace & Defense	Chicago, IL	140,800
36	33	State Farm Insurance Cos.	78,331	272,345	2,207	Insurance: Property and Casualty (Mutual)	Bloomington, IL	65,664
48	45	Archer Daniels Midland	60,828	39,963	1,595	Food Production	Chicago, IL	31,300
65	74	Caterpillar	45,462	76,962	754	Construction and Farm Machinery	Deerfield, IL	98,400
79	84	Allstate	38,524	112,422	3,189	Insurance: Property and Casualty (Stock)	Northbrook, IL	42,680
81	83	United Continental Holdings	37,736	42,326	2,131	Airlines	Chicago, IL	89,800
92	89	Exelon	33,531	116,700	3,770	Utilities: Gas and Electric	Chicago, IL	34,621
102	105	Deere	29,738	65,786	2,159	Construction and Farm Machinery	Moline, IL	60,476
110	111	AbbVie	28,216	70,786	5,309	Pharmaceuticals	North Chicago, IL	29,000
111	135	Abbott Laboratories	27,390	76,250	477	Medical Products and Equipment	Abbott Park, IL	99,000
117	109	Mondelez International	25,896	63,109	2,922	Food Consumer Products	Deerfield, IL	83,000
121	124	US Foods	24,147	9,037	444	Wholesalers: Food and Grocery	Rosemont, IL	25,204
131	112	McDonald's	22,820	33,804	5,192	Food Services	Oak Brook, IL	235,000
172	127	Sears Holdings	16,702	7,262	(383)	General Merchandisers	Hoffman Estates, IL	89,000
189	199	CDW	15,192	6,957	523	Information Technology Services	Lincolnshire, IL	8,726
204	202	Illinois Tool Works	14,314	16,780	1,687	Industrial Machinery	Glenview, IL	50,000
263	277	Discover Financial Services	11,545	100,087	2,099	Commercial Banks	Riverwoods, IL	16,500
283	281	Baxter International	10,561	17,111	717	Medical Products and Equipment	Deerfield, IL	47,000
287	282	W.W. Grainger	10,425	5,804	586	Wholesalers: Diversified	Lake Forest, IL	25,050
300	304	LKQ	9,848	9,367	534	Wholesalers: Diversified	Chicago, IL	43,000
320	322	Tenneco	9,274	4,842	207	Motor Vehicles & Parts	Lake Forest, IL	32,000
321	197	Conagra Brands	9,235	10,096	639	Food Consumer Products	Chicago, IL	12,600
342	337	Navistar International	8,570	6,135	30	Construction and Farm Machinery	Lisle, IL	11,400
349	338	Univar	8,254	5,733	120	Wholesalers: Diversified	Downers Grove, IL	8,600
356	391	Jones Lang LaSalle	7,932	8,015	254	Real Estate	Chicago, IL	81,900

Rank			Revenues	Assets	Profits			
2018	2017	Company	(millions USD)	(millions USD)	(millions USD)	Industry Category	Location	No. of Employees
357	359	Anixter International	7,927	4,252	109	Wholesalers: Electronics and Office Equipment	Glenview, IL	8,900
360	392	Dover	7,830	10,658	812	Industrial Machinery	Downers Grove, IL	29,000
406	388	R.R. Donnelley & Sons	6,940	3,905	(34)	Publishing, Printing	Chicago, IL	42,700
436	450	Packaging Corp. of America	6,445	6,198	669	Packaging, Containers	Lake Forest, IL	14,600
443	433	Motorola Solutions	6,380	8,208	(155)	Network and Other Communications Equipment	Chicago, IL	15,000
446	427	TreeHouse Foods	6,307	5,779	(286)	Food Consumer Products	Oak Brook, IL	13,489
450	439	Old Republic International	6,263	19,404	561	Insurance: Property and Casualty (Stock)	Chicago, IL	8,700
454	462	Arthur J. Gallagher	6,160	12,897	463	Diversified Financials	Rolling Meadows, IL	26,783
471	524	Ulta Beauty	5,885	2,909	555	Specialty Retailers: Other	Bolingbrook, IL	24,200
478	456	Ingredion	5,832	6,080	519	Food Production	Westchester, IL	11,000
486	501	Northern Trust	5,716	138,591	1,199	Commercial Banks	Chicago, IL	18,100

Source: Fortune Magazine.

within a single maturity, on June 15, 2028 and on any date thereafter, at a redemption price equal to the principal amount of each Bond to be redeemed.

Pursuant to the Indenture, a series of bonds may be issued as “Senior Bonds” or as “Junior Obligations” (each as defined and referred to in the Indenture). Senior Bonds are entitled to a priority claim for payment over Junior Obligations. The Bonds are a series of Junior Obligations issued under the Indenture. Under the terms of the Indenture, the State has issued various series of Senior Bonds and Junior Obligations that are currently outstanding and may authorize and issue additional series of Senior Bonds and Junior Obligations for the purposes and upon the terms and conditions prescribed in the Indenture.

We are of the opinion that:

1. The State had and has the right and power under the Constitution and the Act to authorize the Bonds, to enter into the Indenture and to perform its obligations under the Indenture.

2. The Indenture is presently in full force and effect and is binding upon the State in accordance with its terms and is part of the contract of the State with the several owners of the Bonds.

3. The Bonds have been duly authorized and issued, are entitled to the benefits of the Act and the Indenture and are valid and legally binding direct and limited obligations of the State, enforceable in accordance with their terms and payable from the Revenues and the other moneys, securities and funds pledged under the Act and the Indenture and deposited into the Junior Obligation Debt Service Fund maintained under the Indenture. The Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The owners of the Bonds may not require the levy or imposition of any taxes or the application of State revenues or funds for the payment of the Bonds, except as provided in the Act and the Indenture.

4. The Act and the Indenture create a valid pledge of the Revenues and pledge of and lien on moneys on deposit in the Retirement and Interest Fund (as defined in the Indenture) and on the other moneys and securities held or set aside under the Indenture for the benefit and security of the Junior Obligations (including the Bonds), subject to the provisions of the Indenture requiring or permitting the payment, setting apart or application thereof for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Indenture, including the priority claim for payment of Senior Bonds over Junior Obligations. Pursuant to the Fifty Sixth Supplemental Indenture, the Bonds are also secured by a lien on and security interest in the moneys, securities and funds held in the General Account, the Junior Obligation Interest Account and the Junior Obligation Principal Account of the Junior Obligation Debt Service Fund.

5. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the “Code”), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not “private activity bonds” within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

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

Interest on the Bonds is not exempt from Illinois income taxes.

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

Respectfully yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

within a single maturity, on June 15, 2028 and on any date thereafter, at a redemption price equal to the principal amount of each Bond to be redeemed.

Pursuant to the Indenture, a series of bonds may be issued as “Senior Bonds” or as “Junior Obligations” (each as defined and referred to in the Indenture). Senior Bonds are entitled to a priority claim for payment over Junior Obligations. The Bonds are a series of Junior Obligations issued under the Indenture. Under the terms of the Indenture, the State has issued various series of Senior Bonds and Junior Obligations that are currently outstanding and may authorize and issue additional series of Senior Bonds and Junior Obligations for the purposes and upon the terms and conditions prescribed in the Indenture.

We are of the opinion that:

1. The State had and has the right and power under the Constitution and the Act to authorize the Bonds, to enter into the Indenture and to perform its obligations under the Indenture.

2. The Indenture is presently in full force and effect and is binding upon the State in accordance with its terms and is part of the contract of the State with the several owners of the Bonds.

3. The Bonds have been duly authorized and issued, are entitled to the benefits of the Act and the Indenture and are valid and legally binding direct and limited obligations of the State, enforceable in accordance with their terms and payable from the Revenues and the other moneys, securities and funds pledged under the Act and the Indenture and deposited into the Junior Obligation Debt Service Fund maintained under the Indenture. The Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The owners of the Bonds may not require the levy or imposition of any taxes or the application of State revenues or funds for the payment of the Bonds, except as provided in the Act and the Indenture.

4. The Act and the Indenture create a valid pledge of the Revenues and pledge of and lien on moneys on deposit in the Retirement and Interest Fund (as defined in the Indenture) and on the other moneys and securities held or set aside under the Indenture for the benefit and security of the Junior Obligations (including the Bonds), subject to the provisions of the Indenture requiring or permitting the payment, setting apart or application thereof for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Indenture, including the priority claim for payment of Senior Bonds over Junior Obligations. Pursuant to the Fifty Seventh Supplemental Indenture, the Bonds are also secured by a lien on and security interest in the moneys, securities and funds held in the General Account, the Supplemental Authority Account, the Junior Obligation Interest Account and the Junior Obligation Principal Account of the Junior Obligation Debt Service Fund.

5. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the “Code”), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not “private activity bonds” within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

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

Interest on the Bonds is not exempt from Illinois income taxes.

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

Respectfully yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B-3

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TAXABLE SERIES C BONDS

[LETTERHEAD OF CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We have examined a record of proceedings relating to the issuance of \$____,000,000 aggregate principal amount of Build Illinois Bonds (Sales Tax Revenue Bonds) Junior Obligation Taxable Series C of October 2018 (the “Bonds”) of the State of Illinois (the “State”). The Bonds are direct and limited obligations of the State issued pursuant to the authority of Section 9 of Article IX of the Illinois Constitution of 1970 (the “Constitution”) and the Build Illinois Bond Act, 30 Illinois Compiled Statutes 425 (the “Act”) and under and in accordance with a Master Trust Indenture Securing Build Illinois Bonds (Sales Tax Revenue Bonds), dated as of September 15, 1985 (the “Master Indenture”), as amended and supplemented to date, from the State to U.S. Bank National Association, as successor trustee (the “Trustee”) and a Fifty Eighth Supplemental Indenture, dated as of October 1, 2018 (the “Fifty Eighth Supplemental Indenture”), from the State to the Trustee. The Master Indenture, as supplemented by the Fifty Eighth Supplemental Indenture, is sometimes referred to herein as the “Indenture.”

The Bonds are issued and issuable only in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated _____, 2018. The Bonds mature (without option of prior redemption) on June 15, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 15, 2019 and semiannually thereafter on June 15 and December 15 in each year at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
20	\$,000	. %
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	

Pursuant to the Indenture, a series of bonds may be issued as “Senior Bonds” or as “Junior Obligations” (each as defined and referred to in the Indenture). Senior Bonds are entitled to a priority claim for payment over Junior Obligations. The Bonds are a series of Junior Obligations issued under the Indenture. Under the terms of the Indenture, the State has issued various series of Senior Bonds and Junior Obligations that are currently outstanding and may authorize and issue additional series of Senior Bonds and Junior Obligations for the purposes and upon the terms and conditions prescribed in the Indenture.

We are of the opinion that:

1. The State had and has the right and power under the Constitution and the Act to authorize the Bonds, to enter into the Indenture and to perform its obligations under the Indenture.

2. The Indenture is presently in full force and effect and is binding upon the State in accordance with its terms and is part of the contract of the State with the several owners of the Bonds.

3. The Bonds have been duly authorized and issued, are entitled to the benefits of the Act and the Indenture and are valid and legally binding direct and limited obligations of the State, enforceable in accordance with their terms and payable from the Revenues and the other moneys, securities and funds pledged under the Act and the Indenture and deposited into the Junior Obligation Debt Service Fund maintained under the Indenture. The Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The owners of the Bonds may not require the levy or imposition of any taxes or the application of State revenues or funds for the payment of the Bonds, except as provided in the Act and the Indenture.

4. The Act and the Indenture create a valid pledge of the Revenues and pledge of and lien on moneys on deposit in the Retirement and Interest Fund (as defined in the Indenture) and on the other moneys and securities held or set aside under the Indenture for the benefit and security of the Junior Obligations (including the Bonds), subject to the provisions of the Indenture requiring or permitting the payment, setting apart or application thereof for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Indenture, including the priority claim for payment of Senior Bonds over Junior Obligations. Pursuant to the Fifty Eighth Supplemental Indenture, the Bonds are also secured by a lien on and security interest in the moneys, securities and funds held in the General Account, the Supplemental Authority Account, the Junior Obligation Interest Account and the Junior Obligation Principal Account of the Junior Obligation Debt Service Fund.

Interest on the Bonds is not exempt from Federal or Illinois income taxes.

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

Respectfully yours,

APPENDIX C

CERTAIN DEFINITIONS

“*Act*” means “AN ACT to create the Build Illinois Bond Act and creating and amending various Acts in relation thereto”, Public Act 84-111, approved July 25, 1985, as amended (30 ILCS 425/1 et seq.),

“*Aggregate Debt Service*” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period, an amount of money equal to the aggregate of the amounts of Annual Debt Service with respect to such Fiscal Year or other specified 12-month period and to the Senior Bonds of all Series.

“*Annual Debt Service*” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and to Senior Bonds of a particular Series, an amount of money equal to the sum of (a) all interest payable during such Fiscal Year or other specified 12-month period on all Bonds of said Series Outstanding on said date of computation (provided that interest on Variable Rate Bonds of said Series shall be included at the Assumed Variable Amount) and (b) all Principal Installments payable during such Fiscal Year or other specified 12-month period with respect to all Bonds of said Series Outstanding on said date of computation, all calculated on the assumption that Bonds of said Series will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Indenture and the Supplemental Indenture creating such Series of Principal Installments payable at or after said date of computation. For purposes of this definition the term “interest” shall not include Subordinated Interest and the term “Principal Installments” shall not include Subordinated Principal Installments.

“*Annual Specified Amounts*” means with respect to any Fiscal Year the amounts designated as Annual Specified Amounts in the Sales Tax Acts.

“*Appreciation and Income Bond*” means any Senior Bond or Senior Bonds of a Series sold at a price less than 97 percent of the Compounded Amount thereof payable at maturity, but only if (a) such Bond or Bonds are designated as an Appreciation and Income Bond or Bonds by the Supplemental Indenture providing for the issuance of such Series of Bonds, (b) Annual Debt Service on such Series of Bonds, together with Annual Debt Service on all other Series of Outstanding Bonds, is as nearly level or equal as possible, taking into consideration prevailing financial techniques, including, without limitation, the possible initial delay of principal maturities in early years and the use of Capitalized Interest, the determination by the Director in the applicable Bond Sale Order as to such level Annual Debt Service being final and conclusive, and (c) such Appreciation and Income Bonds may also be designated either serial or term Bonds by the Supplemental Indenture providing for the issuance of such Bonds.

“*Appreciation Bond*” means any Senior Bond or Senior Bonds of a Series sold at a price less than 97 percent of the Compounded Amount thereof payable at maturity, but only if (a) such Bond or Bonds are designated as an Appreciation Bond or Bonds by the Supplemental Indenture providing for the issuance of such Series of Bonds, (b) Annual Debt Service on such Series of Bonds together with Annual Debt Service on all other Series of Outstanding Bonds is as nearly level or equal as possible, taking into consideration prevailing financial techniques, including, without limitation, the possible initial delay of principal maturities in early years and the use of Capitalized Interest, the determination by the Director in the applicable Bond Sale Order as to such level Annual Debt Service being final and conclusive, and (c) such Appreciation Bonds may also be designated either serial or term Bonds by the Supplemental Indenture providing for the issuance of such Bonds.

“*Assumed Variable Amount*” means, as of any particular date of computation and with respect to a particular al Year or other specified 12-month period and to Variable Rate Bonds of a particular Series of Senior Bonds an amount of money equal to (a) the interest payable on such Variable Rate Bonds calculated at the maximum rate permitted under the Bond Sale Order and Supplemental Indenture authorizing the issuance of such Variable Rate Bonds, less (b) the amount permitted to be credited under the Indenture and the terms of such Supplemental Indenture, against the amount of interest on such Variable Rate Bonds required to be included in any computation with respect to such period, including but not limited to, any computation of Annual Debt Service, Certified Annual Debt Service Requirement and Required Bond Transfer. For purposes of this definition the term “interest” shall not include Subordinated Interest.

“*BIBA Authorization Bonds*” means Bonds issued and Outstanding payable solely from BIBA Revenues, being the Bonds other than CPF Authorization Bonds.

“*BIBA Revenues*” means the amounts transferred from the Build Illinois Bond Account of the State pursuant to Section 13 of the Act for the payment of Bonds.

“*Bond Counsel*” or “*Co-Bond Counsel*” means a firm of attorneys having expertise in the field of law relating to municipal, state and public agency financing, selected by the State and satisfactory to the Trustee.

“*Bondholder*” or “*holder*” or “*owner*” or words of similar import, when used with reference to a Bond, means any person who shall be the bearer of any Outstanding Bond registered to bearer or not registered, or the registered owner of any Outstanding Bond at the time registered other than to bearer.

“*Bonds*” means any Senior Bonds and Junior Obligations of the State authenticated and delivered as a Series under and pursuant to Article II of the Indenture and any Section 209 Obligations.

“*Bond Sale Order*” means any Bond Sale Order as defined in Section 6(a) of the Act.

“*Build Illinois Bond Account*” means the Build Illinois Bond Account in the Build Illinois Fund.

“*Build Illinois Bond Fund*” means the Build Illinois Bond Fund created in the State Treasury pursuant to Section 5.159 of the Finance Act.

“*Build Illinois Fund*” means the Build Illinois Fund created in the State Treasury pursuant to Sections 6z-9 and 5.148 of the Finance Act.

“*Business Day*” means any day other than a Saturday or Sunday or legal holiday or a day on which banking institutions in the State are authorized by law or executive order to close.

“*Capital Projects Fund*” means the Capital Projects Fund created in the State Treasury pursuant to Section 6z77 of the Finance Act.

“*Certified Annual Debt Service Requirement*” for any Fiscal Year means an amount equal to the Aggregate Debt Service and the Junior Annual Debt Service for such Fiscal Year, plus an amount equal to the difference, if any, between (a) the Aggregate Debt Service and the Junior Annual Debt Service for any prior Fiscal Year and (b) the amount of Revenues deposited with the Trustee for such prior Fiscal Year, plus a amount of money equal to the aggregate amounts required by the provisions of the Indenture and a Supplemental Indentures to be deposited from Revenues in all Funds or Accounts under the Indenture and in all funds, accounts and subaccounts created under such Supplemental Indentures in such Fiscal Year minus any moneys in the Capitalized Interest Account to be used to pay interest on Bonds during such Fiscal Year.

“*Compounded Amount*” when used with reference to any Appreciation Bond or any Appreciation and Income Bond, shall mean:

- (i) The Initial Offering Price, plus
- (ii) the amount, assuming semi-annual compounding, of earnings which would be produced on an investment of the Initial Offering Price, (a) in the case of an Appreciation Bond, beginning on the date of delivery of such Bond, at a yield which, if received throughout the term of such Bond, would produce the principal amount and interest payable at maturity on such Bond in accordance with its terms, and (b), in the case of an Appreciation and Income Bond, beginning on the date of such Bond and ending on the Current Interest Commencement Date, at a yield which, if received until the Current Interest Commencement Date will produce the principal amount plus the compounded interest payable at maturity on such Bond in accordance with its terms.

“*Compounded Amount*” shall further mean, to the extent provided in a Supplemental Indenture, as applied to any particular Series of Bonds, in respect of each \$5,000 principal and interest payable at maturity of any

Appreciation Bond or any Appreciation and Income Bond, on any June 15 and December 15 prior to maturity, the amount set forth in the table of Compounded Amounts appearing on such Bond, as provided in the applicable Supplemental Indenture. Compounded Amount shall also further mean, to the extent provided in a Supplemental Indenture, as applied to any particular Series of Bonds, in respect of each \$5,000 principal and interest payable at maturity of any Appreciation Bond or any Appreciation and Income Bond, on a date other than a June 15 or December 15, the Compounded Amount on the next preceding December 15 or June 15 plus the portion of the difference between the Compounded Amount on the next preceding December 15 or June 15 and the next succeeding June 15 or December 15 that the number of days from the next preceding December 15 or June 15 to the date for which the determination is being calculated bears to the total number of days from the next preceding December 15 or June 15 to the next succeeding June 15 or December 15.

“*Comptroller*” means the Comptroller of the State.

“*Costs of Issuance*” means any item of expense payable or reimbursable, directly or indirectly, by the State and related to the authorization, offering, sale, issuance and delivery of Bonds, including but not limited to travel and other expenses of any officer or employee of the State in connection with the authorization, offering, sale, issuance and delivery of such Bonds, advertising, printing, bond rating, travel, security, and delivery costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary or registrar, legal and municipal advisory fees and disbursements, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, application fees and premiums on municipal bond insurance, initial credit or liquidity facility charges, initial fees of indexing and remarketing agents, initial costs of entering into interest rate swaps, guarantees or arrangements to limit interest rate risk and costs and expenses relating to the refunding of Bonds.

“*CPF Authorization Bonds*” means Bonds issued pursuant to the CPF Authorizations.

“*CPF Authorizations*” means the authorizations for the issuance of Bonds enacted pursuant to Public Acts 96-36, 96-1554 and 98-94 of the Illinois General Assembly or any other act of the Illinois General Assembly authorizing the issuance of Bonds payable from amounts transferred from the Capital Projects Fund.

“*CPF Revenues*” means amounts transferred from the Capital Projects Fund of the State pursuant to Section 13 of the Act for payments of Bonds.

“*Current Interest Commencement Date*” means the date designated in the applicable Supplemental Indenture on which interest on any Appreciation and Income Bond ceases to be deferred and compounded and becomes currently payable on the scheduled interest payment dates.

“*Debt Service Fund*” means the Debt Service Fund created by the Indenture.

“*Debt Service Reserve Fund*” means the Debt Service Reserve Fund created by the Indenture.

“*Debt Service Reserve Fund Requirement*” means at any time an amount equal to 50 percent of the maximum Aggregate Debt Service for the then current or any future Fiscal Year; *provided, however*, that for the purposes of this definition interest payable on each Series of Variable Rate Senior Bonds shall, to the extent includable in Aggregate Debt Service, be included in Aggregate Debt Service at the maximum rate permitted under the Bond Sale Order and Supplemental Indenture authorizing the issuance of such Series.

“*Director*” or “*Acting Director*” means the Director or Acting Director of the GOMB.

“*Federal Obligation*” means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America, including, but not limited to, United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series or certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and has capital and surplus (exclusive of undivided profits) in excess of \$100,000,000.

“*Fiduciary*” means the Trustee, any trustee under a Supplemental Indenture or any Paying Agent or any or all of them, as may be appropriate.

“*Fifty-Eighth Supplemental Indenture*” means the Fifty-Eighth Supplemental Indenture to the Master Indenture.

“*Fifty-Seventh Supplemental Indenture*” means the Fifty-Seventh Supplemental Indenture to the Master Indenture.

“*Fifty-Sixth Supplemental Indenture*” means the Fifty-Sixth Supplemental Indenture to the Master Indenture.

“*Finance Act*” means “AN ACT in relation to State finance,” approved June 10, 1919, as amended.

“*Fiscal Year*” means July 1 through June 30 of the following year.

“*General Reserve Fund*” means the General Reserve Fund created by the Indenture.

“*GOMB*” means the Governor’s Office of Management and Budget.

“*Governor*” means the Governor of the State.

“*Indenture*” means the Master Indenture as the same may from time to time be amended or supplemented by Supplemental Indentures executed and delivered by the State and the Trustee in accordance with the Master Indenture.

“*Initial Offering Price*” means the principal amount of an Appreciation Bond or an Appreciation and Income Bond and the price at which such Bond is offered for sale to the public or sold to the initial purchaser thereof at the time of sale thereof by the State without reduction to reflect underwriters’ discount or placement agent’s fees.

“*Junior Annual Debt Service*” means as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and with respect to all Junior Obligations and to all Senior Bonds with respect to which Subordinated Interest or Subordinated Principal Installments are payable, an amount of money equal to the sum of (a) all interest and Subordinated Interest payable during such Fiscal Year or other specified 12-month period on all Junior Obligations and all such Senior Bonds Outstanding on said date of computation (provided that interest or Subordinated Interest payable at a variable rate shall be included on the basis of the maximum rate permitted under the Bond Sale Order and Supplemental Indenture or other instrument authorizing the issuance of such Junior Obligations or Senior Bonds, as the case may be, less amounts permitted to be credited under the Indenture and the terms thereof against the amount of interest or Subordinated Interest required to be included in any computation with respect to such period of any debt service reserve fund requirement, the Certified Annual Debt Service Requirement, or the Required Bond Transfer), plus (b) all Principal Installments and Subordinated Principal Installments payable during such Fiscal Year or other specified 12-month period in respect of all Junior Obligations and all such Senior Bonds Outstanding on such date of computation.

“*Junior Obligation Debt Service Fund*” means the Junior Obligation Debt Service Fund created by the Indenture.

“*Junior Obligations*” means Bonds of any Series designated as Junior Obligations in the Supplemental Indenture authorizing such Series, any obligation to pay Subordinated Interest or any Subordinated Principal Installment, and any Section 209 Obligations.

“*Master Indenture*” means the Master Trust Indenture, dated as of September 15, 1985, as originally executed and delivered by the State and the Trustee.

“*Net Debt Service Requirement*” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period, an amount equal to (a) the Aggregate Debt Service less (b) an amount equal to that portion of Aggregate Debt Service which may be paid when due from any moneys. Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof, together with interest thereon, set aside in trust in the Net Debt Service Account solely for the purpose of paying all or any portion of Aggregate Debt Service; provided that the principal of and interest on such Federal Obligations and Qualified

Investments, when due (without reinvestment thereof) will provide moneys which, together with any moneys so set aside, shall be sufficient to pay such portion of Aggregate Debt Service when due.

“*Outstanding*,” when used with reference to the Bonds, means as of any date, all Bonds theretofore or thereupon being issued pursuant to the Indenture except;

(a) Bonds canceled by the Trustee or the owner of a Section 209 Obligation, as the case may be, at or prior to such date or theretofore delivered to the Trustee or such owner, as the case may be, for cancellation;

(b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust and set aside for such payment or redemption (whether at, prior to or after the maturity or redemption date) moneys or Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof the principal of and interest on which when due and payable will provide moneys, together with the moneys, if any, deposited with the Trustee at the same time, in an amount sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, and, if such Bonds are to be redeemed, for which notice of such redemption shall have been given as provided in the Master Indenture or in the related Supplemental Indenture or provisions satisfactory to the Trustee shall have been made for the giving of such notice;

(c) Bonds for the transfer or exchange of, in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(d) Bonds deemed to have been paid as provided in the Indenture or in any Supplemental Indenture.

“*Principal Installment*” means as of any particular date of computation and with respect to Bonds of a particular Series or particular Section 209 Obligations, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Bonds or Section 209 Obligations which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds or Section 209 Obligations which would at or before said future date be retired by reason of the payment when due and application in accordance with the Indenture of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Bonds or Section 209 Obligations, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding Bonds of such Series or said Section 209 Obligations, and said future date shall, for all purposes of the Indenture, be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

“*Program Expense Fund*” means the Program Expense Fund created by the Indenture.

“*Program Expenses*” means any item of expense relating to the Bonds payable or reimbursable, directly or indirectly, by the State and relating to the fees and charges of any Fiduciary or registrar, costs of credit or liquidity enhancement arrangements, fees of indexing or remarketing agents and costs of entering into interest rate swaps, guarantees or arrangements to limit interest rate risk; provided, however, that Program Expenses shall not include any item of expense which is a Cost of Issuance.

“*Qualified Financial Institution*” means any bank, insurance company, corporation or other person having capital, surplus and undivided profits or net worth aggregating not less than \$100,000,000 and whose senior debt is rated in one of the two highest rating categories by at least two nationally recognized rating agencies; *provided* that such bank, insurance company, corporation or person shall further meet the requirements imposed by the Act for banks, insurance companies or other persons executing arrangements with the State with respect to interest rate swaps or guarantees or financial futures contracts for the purpose of limiting or restricting interest rate risk.

“*Qualified Investments*” means:

(a) Federal Obligations;

(b) Deposits in interest-bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association, including a Fiduciary, which deposits, to the extent not insured by the Federal Deposit Insurance Corporation, shall be secured by Qualified Collateral having a current market value (exclusive of accrued interest) at all times at least equal to 102 percent of the amount of such deposits, and which Qualified Collateral shall have been deposited in trust by such bank or national banking association with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the State and the Trustee, with another bank, trust company or national banking association for the benefit of the State and the appropriate Fund or Account as collateral security for such deposits;

(c) Direct and general obligations of any state of the United States of America, any direct obligations of the State, or any direct obligations of any political subdivision of the State which, in each case, are rated not less than AA or Aa or their equivalents by two nationally recognized bond rating agencies;

(d) Obligations issued by any of the following agencies; Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks System, Federal Land Banks, Export-Import Bank, Tennessee Valley Authority, Government National Mortgage Association, Farmers Home Administration, United States Postal Service, and the Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association, any agency or instrumentality of the United States of America and any corporation controlled and supervised by, and acting as an agency or instrumentality of, the United States of America;

(e) Repurchase agreements extending not beyond 30 calendar days with banks which are members of the Federal Reserve System having capital, surplus and undivided profits of at least \$100,000,000 or with government bond dealers having capital, surplus and undivided profits or net worth of at least \$100,000,000 and recognized as primary dealers by the Federal Reserve Bank of New York that are secured by Federal Obligations having a current market value (inclusive of accrued interest) at all times at least equal to 102 percent of the full amount of the repurchase agreement, and which Federal Obligations shall have been deposited in trust by such banks or dealers with the trust department of the Trustee or with a Federal Reserve Bank or branch, or with the written approval of the State and the Trustee, with another bank, trust company or national banking association for the benefit of the State and the appropriate Fund or Account as collateral security for such repurchase agreements;

(f) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; and

(g) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or obligations for redemption on the date or dates specified in such instructions, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in the definition of Federal Obligation which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (i) of this paragraph (g), as appropriate, and (iii) as to which the principal of and interest on the bonds and obligations of the character described in the definition of Federal Obligation which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay

principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph (g) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) of this paragraph (g), as appropriate.

“*Record Date*” means the 15th day (whether or not a business day) next preceding any principal or interest payment date, including any interest payment date resulting from an optional redemption of Series of October 2018 Bonds on a date other than June 15 or December 15.

“*Redemption Price*” means with respect to any Series of Bonds or any particular Section 209 Obligations, the principal amount of the Bonds or Section 209 Obligations plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bonds or Section 209 Obligations or the Supplemental Indenture creating such Series or the installment creating such Section 209 Obligations.

“*Reform Act*” means “AN ACT relating to taxes and the use thereof, amending Acts named therein,” Public Act 85-1135, approved July 28, 1988, as amended.

“*Reform Fund*” means the State and Local Sales Tax Reform Fund created in the State Treasury pursuant to Section 6z-17 of the Finance Act.

“*Reform Fund Amounts*” means the amounts of money required to be transferred monthly from the Reform Fund to the Build Illinois Fund as provided in Section 6z-17 of the Finance Act.

“*Required Bond Transfer*” means with respect to any Fiscal Year the amount of money required to be transferred from the Build Illinois Bond Account to the Retirement and Interest Fund and to be paid from the Retirement and Interest Fund to the Trustee for such Fiscal Year as provided in the Indenture and the Act.

“*Retirement and Interest Fund*” means the Build Illinois Retirement and Interest Fund created in the State Treasury pursuant to the Act and the Finance Act.

“*Retailers’ Occupation Tax*” means the tax now or hereafter imposed by the State pursuant to Section 3 of the “Retailers’ Occupation Tax Act,” approved June 28, 1933, as amended.

“*Revenue Fund*” means the Revenue Fund created by Section 501 of the Indenture.

“*Revenues*” means all tax revenues and other moneys, from whatever source (including without limitation the Navy Pier Act), which by law are required to be deposited into the Build Illinois Fund for the purposes of making transfers to and payments from the Retirement and Interest Fund as required by Sections 6z-9 and 8.25 of the Finance Act; and into the Capital Projects Fund for the purpose of making transfers to and payments from the Retirement and Interest Fund as required by Public Acts 96-36, 96-1554 and 98-94 (supplementing Section 13 of the Act), provided, however, that Revenues shall not include (a) any tax revenues and other moneys, from whatever source, which by law, now or hereafter enacted, are required to be transferred from the Build Illinois Fund to the Metropolitan Fair and Exposition Authority Improvement Bond Fund as permitted by the Indenture or (b) 1/12th of \$5,000,000 of the moneys received by the Illinois Department of Revenue and required to be paid each month into the Build Illinois Fund pursuant to Section 3-1001 of “The Illinois Vehicle Code,” approved September 29, 1969, as amended.

“*Sales Tax*” or “*Sales Taxes*” means the taxes now or hereafter imposed by the State pursuant to the Sales Tax Acts.

“*Sales Tax Acts*” means Section 9 of the “Use Tax Act,” approved July 14, 1955, as amended, Section 9 of the “Service Use Tax Act,” approved July 10, 1961, as amended. Section 9 of the “Service Occupation Tax Act,” approved July 10, 1961, as amended, and Section 3 of the “Retailers’ Occupation Tax Act,” approved June 28, 1933, as amended.

“*Section 209 Obligations*” means any Junior Obligations in the form of obligations incurred by the State to reimburse or repay the issuer or issuers of one or more letters of credit or the provider or providers of lines of credit or other credit or liquidity enhancement facilities securing one or more Series of Bonds as described in Section 209

of the Indenture, including any fees or other amounts payable to the issuer or provider of any such letter of credit or facility, whether such obligations are set forth in one or more agreements entered into between the State and the issuer or provider of any such letter of credit or facility, or in one or more notes or other evidences of indebtedness executed and delivered by the State pursuant thereto, or any combination thereof.

“*Senior Bonds*” means Bonds of any Series designated as Senior Bonds in the Supplemental Indenture authorizing such Series.

“*Series*” shall mean all of the Bonds authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated as a Series therein, but, unless the context clearly indicates otherwise, shall not include Section 209 Obligations.

“*Series A of October 2018 Bonds*” means a Series of Junior Obligations designated as “Tax-Exempt Series A of October 2018 Bonds” in the Fifty-Sixth Supplemental Indenture.

“*Series B of October 2018 Bonds*” means a Series of Junior Obligations designated as “Tax-Exempt Series B of October 2018 Bonds” in the Fifty-Seventh Supplemental Indenture.

“*Series C of October 2018 Bonds*” means a Series of Junior Obligations designated as “Taxable Series C of October 2018 Bonds” in the Fifty-Eighth Supplemental Indenture.

“*Service Occupation Tax*” means the tax now or hereafter imposed by the State pursuant to Section 9 of the “Service Occupation Tax Act,” approved July 10, 1961, as amended.

“*Service Use Tax*” means the tax now or hereafter imposed by the State pursuant to Section 9 of the “Service Use Tax Act,” approved July 10, 1961, as amended.

“*Sinking Fund Payment*” means as of any particular date of determination and with respect to the Outstanding Bonds of any Series or with respect to any particular Section 209 Obligations, the amount required by the Supplemental Indenture creating such Series or the instrument creating such Section 209 Obligations to be paid in any event by the State on a single future date for the retirement of Bonds of such Series or of such Section 209 Obligations which mature after said future date, but does not include any amount payable by the State by reason only of the maturity of a Bond or Section 209 Obligation.

“*State*” means the State of Illinois.

“*State Portion*” means, commencing January 1, 1990, the portion of the Sales Taxes remaining after the monthly deposits of 20 percent thereof required to be made from and after such date pursuant to the Reform Act.

“*State Share of Sales Tax Revenues*” means the State’s 80 percent portion of total collected sales tax receipts (excluding the 5.25% incremental portion of the Sales Taxes from the sale of candy and grooming products, and soft drinks currently taxed at 6.25%, as increased from the pre-September 1, 2009, rate of 1.00%, which incremental portion is deposited into the Capital Projects Funds for the payment of Bonds issued pursuant to the Capital Projects Fund Legislation).

“*Subordinated Interest*” means interest designated as Subordinated Interest under any Supplemental Indenture authorizing a Series of Senior Bonds which are Variable Rate Bonds and which is payable from the Junior Obligation Debt Service Fund to a person who becomes a Bondholder as a result of providing a credit or liquidity enhancement facility relating to such Series.

“*Subordinated Principal Installment*” means any Principal Installment designated as a Subordinated Principal Installment under any Supplemental Indenture authorizing a Series of Senior Bonds which are Variable Rate Bonds and which is payable from the Junior Obligation Debt Service Fund to a person who becomes a Bondholder as a result of providing a credit or liquidity enhancement facility relating to such Series.

“*Supplemental Indenture*” means an indenture supplemental to or amendatory of the Master Indenture, executed and delivered by the State and the Trustee in accordance with the Indenture.

“*Tax Act Amount*” means the Tax Act Amount as defined in Section 3 of the “Retailers’ Occupation Tax Act,” approved June 28, 1933, as amended.

“*Treasurer*” means the Illinois State Treasurer.

“*Trustee*” means U.S. Bank National Association, as trustee under the Indenture, or its successor as such trustee hereafter appointed in the manner provided in the Indenture and, with respect to any Supplemental Indenture, the trustee thereunder or its successor as trustee.

“*Use Tax*” means the tax now or hereafter imposed by the State pursuant to Section 9 of the Use Tax Act, approved July 14, 1955, as amended.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

**OUTSTANDING BONDS
BUILD ILLINOIS BONDS (SALES TAX REVENUE BONDS)
(As of September 1, 2018)**

Senior Obligation Bonds	Original Principal Amount	Bonds Outstanding
Series P	\$100,000,000	\$13,790,000
Series of September 2001	110,450,000	19,385,000
Series of April 2002	150,000,000	70,000,000
Second Series of May 2002	94,815,000	25,900,000
Series of November 2002	182,225,000	10,185,000
Series A of December 2009	154,920,000	19,365,000
Series B of December 2009	375,000,000	27,215,000
Series of October 2011	300,000,000	225,000,000
Series of May 2012 (Taxable)	425,040,000	318,780,000
Series of May 2013 (Taxable)	300,000,000	237,500,000
Series of March 2014 (Taxable)	402,000,000	335,000,000
Total Senior Bonds		\$1,302,120,000
Junior Obligation Bonds	Original Principal Amount	Bonds Outstanding
Series of June 2010	455,080,000	61,790,000
Series of June 2013	604,110,000	371,760,000
Series of September 2016	548,790,000	536,435,000
Total Junior Obligation Bonds		\$969,985,000
Total Outstanding Bonds		\$2,272,105,000

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

PENSION AND OTHER POST EMPLOYMENT BENEFITS

GENERAL

The State provides funding for the Retirement Systems, which provide benefits upon retirement, death or disability to employees and beneficiaries. The Retirement Systems are, in order from largest to smallest membership: (i) the Teachers' Retirement System of the State of Illinois ("TRS"); (ii) the State Universities Retirement System of Illinois ("SURS"); (iii) the State Employees' Retirement System of Illinois ("SERS"); (iv) the Judges Retirement System of Illinois ("JRS"); and (v) the General Assembly Retirement System, State of Illinois ("GARS") (each a "Retirement System" and collectively, the "Retirement Systems").

To fund the benefits to be paid by a defined benefit pension plan, both employees and employers make contributions to the plan's assets. Generally, employees contribute a fixed percentage of their annual salary, and employers contribute the additional amounts necessary, when combined with the projected investment earnings on plan assets, to pay the benefits under and the expenses of the pension plan. The necessary employer contributions to the Retirement Systems are calculated and recommended annually by an independent actuary based on State law requirements and certified by the Board of each Retirement System. See "—DETERMINATION OF EMPLOYER CONTRIBUTIONS." Information regarding the benefits provided by each Retirement System is available at the website for such system. See APPENDIX F—"WEBSITE INDEX."

For SERS, the State provides the majority of employer contributions for State employees combined with contributions from trust, federal and certain state grant funds. For GARS and JRS, the State provides the sole employer contribution to the Retirement Systems. For TRS, the State's contributions are combined with contributions from federal funds and the individual school districts (which employ the majority of TRS members), special districts and State agencies employing TRS members. For SURS, State contributions, combined with trust and federal funds and contributions from employers for employees paid from certain State grants and non-State funds, serve as the employer contribution. Public Act 100-0023 ("Public Act 100-23"), which became effective July 6, 2017, provides that TRS and SURS employers will contribute additional amounts to such Retirement Systems in the future. See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

Section 5 of Article XIII of the Illinois Constitution provides that "[m]embership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired" (the "Pension Protection Clause"). The benefits available under the Retirement Systems accrue throughout the time a member is employed by an employer participating in one of the Retirement Systems. Although the benefits accrue during employment, certain age and service requirements must be achieved for retirement annuities, survivor annuities or death benefits to be paid to the employee or the employee's survivors and beneficiaries, if any, respectively.

State contributions to the Retirement Systems are made following appropriation by the General Assembly. The Board of each Retirement System is required, on or before November 1 of each year, to submit a proposed certification to the State Actuary of the amount necessary to pay the Required Annual Statutory Contribution (as defined below) for inclusion in the Governor's budget for the following fiscal year. On or before November 1 of each year, the Retirement Systems are required to prepare preliminary actuarial valuation reports. By January 1 of each year, the State Actuary is required to issue a report on such preliminary actuarial valuation reports, providing a review of the actuarial assumptions used in the proposed certification by the Retirement Systems and recommend any changes for consideration. See "—RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS—*State Actuary's Fiscal Year 2017 Report.*" The Board of each Retirement System must consider all recommendations of the State Actuary prior to providing a final certification to the State of the Required Annual Statutory Contribution on or before January 15 of each year, beginning January 15, 2013. This Official Statement reflects the most current, final reports of the Retirement Systems and Auditor General. Final audits of the Retirement Systems may be found at the Auditor General's website. The final Actuarial Valuations (as defined herein) for Fiscal Year 2017 may be found at each Retirement System's website. See APPENDIX F—"WEBSITE INDEX."

In the event that the General Assembly fails to appropriate the amount certified by the Retirement Systems, the Pension Code (40 ILCS 5/ *et seq.*) and the State Pension Funds Continuing Appropriation Act (40 ILCS 15/ *et seq.*) require payments to be made by the Comptroller and the Treasurer to the Retirement Systems in amounts sufficient to meet the requirements of the Statutory Funding Plan (as defined herein). See “—DETERMINATION OF EMPLOYER CONTRIBUTIONS—*The Actuarial Valuation*” below. Despite the continuing appropriation, the possibility still exists that the Retirement Systems will not receive the required contribution when due because there could be insufficient funds available in the State’s General Funds. If such funds are not available, the State could fail to meet its payment obligation or be forced to make such payment from another source.

The Retirement Systems submit monthly payment requests to the Comptroller, but the Comptroller is not required to make monthly payments upon receipt of the requests. During Fiscal Year 2018, some delays in the monthly payments occurred. The annual payments for Fiscal Year 2018 were paid in full by the end of the Fiscal Year 2018 lapse period. Delays are also expected to occur in making monthly payments during Fiscal Year 2019. The State expects that any delayed payments for Fiscal Year 2019 will be made by the end of the Fiscal Year 2019 lapse period. If the full amount of Required Annual Statutory Contributions (as defined herein) is not paid in a timely manner, the Retirement Systems may be required to sell more assets than planned to pay benefits as they become due. Asset sales would reduce the amount of assets invested by the Retirement Systems and, as such, reduce the amount of investment income earned by the Retirement Systems in the future. For a description of the instances in which the Retirement Systems have been funded at less than the Actuarially Required Contribution (as defined herein) level, and the effect of a sale of the Retirement Systems’ assets to pay benefits, see “—HISTORY OF CONTRIBUTIONS TO THE RETIREMENT SYSTEMS.”

SOURCE INFORMATION

With regard to the following, except “Excluded Information” defined below, the information contained in this APPENDIX E relies on materials produced by the Retirement Systems, their independent accountants and their independent actuaries (the “Source Information”). The information in this APPENDIX E is presented on the basis of the Source Information. The State has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy of the Source Information. “Excluded Information” means information contained under the following sub captions below: “—2010 LEGISLATION MODIFYING PENSION STRUCTURE,” “—2013 LEGISLATION MODIFYING PENSION STRUCTURE,” “—2017 LEGISLATION MODIFYING PENSION STRUCTURE,” “—RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS,” “—SEC ORDER,” and “—PENSION DISCLOSURE POLICIES AND PROCEDURES.”

Furthermore, where tables in this disclosure present aggregate information regarding the Retirement Systems, specifically in Tables E 5 through E 15, such combined information results solely from the arithmetic calculation of numbers compiled from the Source Information.

The State is obligated to make contributions to the Retirement Systems as set forth in the Pension Code. See “—DETERMINATION OF EMPLOYER CONTRIBUTION” herein. In addition, the Retirement Systems’ members make contributions to the Retirement Systems from their salaries. For more information on the amount of contributions made by the State and Retirement System members in each of Fiscal Years 2013 through 2017, see Tables E 6 through E 10.

The Actuarial Valuations of the Retirement Systems and the comprehensive annual financial reports (each a “CAFR”) for the fiscal year ending June 30, 2017 are available on the respective websites of the Retirement Systems, provided, however, that the contents of such websites are not incorporated herein by such reference.

BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS

As described above, the State provides funding for the five Retirement Systems. The following is a description of each Retirement System. Membership information and member contribution information for each Retirement System is presented at the end of this section in Table E 1.

The Teachers’ Retirement System, TRS, is a cost sharing, multiple employer, public employee defined benefit pension plan that provides coverage to teachers employed by public school districts in the State (excluding teachers

employed by Chicago Public Schools). TRS is governed by a 13 member Board of Trustees, consisting of the State Superintendent of Education, six trustees appointed by the Governor with the advice and consent of the Senate, four trustees elected by contributing TRS members, and two trustees elected by TRS annuitants. Two appointed trustee positions are currently vacant. All trustees except for the State Superintendent of Education serve four year staggered terms.

Although most of TRS's covered employees are not employees of the State, approximately 95% of the employer funding for TRS is paid by the State. TRS receives contributions from 850 local school districts, 125 special districts and 14 other State agencies. To date, the contributions made by individual school districts, special districts and State agencies have been minimal. However, Public Act 100-23 requires certain additional contributions by such school districts. See “—2017 LEGISLATION MODIFYING PENSION STRUCTURE” herein.

The State Universities Retirement System, SURS, is a cost sharing, multiple employer, public employee defined benefit pension plan. SURS provides coverage to faculty and staff of State universities, community colleges and related agencies. SURS is governed by an 11 member Board of Trustees, consisting of the Chairperson of the Illinois Board of Higher Education, four trustees appointed by the Governor with the advice and consent of the Senate, four trustees elected by contributing SURS members and two trustees elected by SURS annuitants. All trustees except for the Chairperson of the Illinois Board of Higher Education serve six year staggered terms.

SURS draws contributions from employees of nine universities, 39 community college districts and 13 other affiliated agencies. Public Act 100-23 will require the universities, community colleges and other affiliated agencies participating in SURS to contribute to SURS. See “—2017 LEGISLATION MODIFYING PENSION STRUCTURE” herein.

SURS also provides a public employee defined contribution plan, termed the “Self-Managed Plan.” In a defined contribution plan, the employee and the employer contribute specified amounts to the pension plan. These contributions, plus the investment earnings on the money in each employee's account, represent the employee's benefits under the plan. As opposed to defined benefit plans which provide a predetermined level of benefits to the employee, the benefit in a defined contribution plan is not predetermined. The benefit is based on the individual account balance (consisting of contributions and investment returns thereon) available at retirement or termination. Members contribute 8.0% of their gross earnings and the State contributes 7.6% of payroll to provide employer contributions (of this amount, up to 1.0% is used to fund disability benefits).

The State Employees' Retirement System, SERS, is a single employer, public employee defined benefit pension plan. SERS provides benefits for most State employees not eligible for another State sponsored retirement plan, as well as for certain employees appointed by the Governor and requiring confirmation by the Senate that elect to become members of SERS. SERS is governed by a 13 member Board of Trustees, consisting of the Comptroller, six trustees appointed by the Governor with the advice and consent of the Senate, four trustees elected by the SERS members, and two trustees elected by the SERS retirees. One appointed trustee position is currently vacant. All trustees except for the Comptroller serve five year staggered terms.

Certain members of SERS are eligible for federal Social Security benefits. As of June 30, 2017, of active employees, 58,492 are coordinated with Social Security. All other active employees are not coordinated with Social Security.

The Judges' Retirement System, JRS, is a single employer, public employee defined benefit pension plan that covers judges, associate judges and, under certain conditions, the administrative director of the State courts. Participation by judges is mandatory unless a judge makes an election not to participate within 30 days of receipt of notice of the option not to participate. JRS is governed by a five person Board of Trustees, consisting of the Treasurer, the Chief Justice of the Supreme Court, and three participating judges who are appointed by the Supreme Court. The three participating judges serve three year terms.

The General Assembly Retirement System, GARS, is a single employer, public employee defined benefit pension plan that covers members of the General Assembly, State Constitutional Officers and, under certain circumstances, the Clerk and Assistant Clerk of the House and the Secretary and Assistant Secretary of the Senate. GARS is governed by a seven member Board of Trustees, consisting of the President of the Senate (or his designee),

two members of the Senate appointed by the President of the Senate; three members of the House of Representatives appointed by the Speaker of the House; and one person elected from the member annuitants under rules prescribed by the Board of Trustees. All appointed trustees serve two year terms while the elected trustee serves a four year term.

With the exception of certain SERS members, as discussed above, and a small number of SURS members, members of the Retirement Systems do not participate in Social Security through their employment with an employer participating in a Retirement System.

As of June 30, 2017, the membership in each of the Retirement Systems and the required membership contributions as a percentage of member salary were as follows:

TABLE E 1 MEMBERSHIP AND MEMBER CONTRIBUTIONS

<u>Retirement System</u>	<u>Active Members</u>	<u>Inactive/ Entitled to Benefits</u>	<u>Retirees and Beneficiaries</u>	<u>Total</u>	<u>Member Contribution⁽¹⁾</u>
TRS	159,585	136,855	117,990	414,430	9.0%
SURS	64,117	81,316	64,545	209,978	8.0% - 9.5% ⁽²⁾
SURS/SMP ⁽³⁾	11,852	9,503	533	21,888	8.0%
SERS	60,612	4,022	71,805	136,439	4.0% - 12.5% ⁽⁴⁾
JRS	953	11	1,175	2,139	8.5% or 11% ⁽⁵⁾
GARS	135	58	421	614	9.5% or 11.5% ⁽⁶⁾
Total	297,254	231,765	256,469	785,488	

Source: Actuarial Valuations of the Retirement Systems as of June 30, 2017, except that information regarding SERS, JRS and GARS are based on the respective CAFRs of such Retirement Systems.

- (1) Represents the percentage of salary a member is required to contribute annually to the respective Retirement System under the Pension Code. Certain school districts provide for member contributions on behalf of their employees.
- (2) Most members contribute a total of 8.0% of pensionable pay. Police officers and firefighters contribute a total of 9.5% of pensionable pay.
- (3) The SURS/SMP refers to the SURS Self-Managed Plan.
- (4) Members covered by Social Security contribute 4% of their salary if ineligible for an alternative benefits formula and 8.5% of salary if eligible for such a formula. Members not covered by Social Security contribute 8% of their salary if ineligible for an alternative benefits formula and 12.5% of salary if eligible for such a formula.
- (5) Members contribute 7.5% to the retirement annuity, 1.0% for automatic annual increases and 2.5% for the survivor's annuity.
- (6) Members contribute 11.5% of their salaries, consisting of a retirement annuity (8.5%), an automatic annuity increase (1.0%) and a survivor's annuity (2.0%). Certain members may elect not to participate in the survivor's annuity and therefore contribute 9.5% of salary

State law regulates the Retirement Systems' investments. The respective Boards of Trustees of TRS and SURS manage the investments of such Retirement Systems. The Illinois State Board of Investment manages the investments of SERS, JRS and GARS. Additional information on each Retirement System's investments and investment management may be found on such Retirement System's website provided in APPENDIX F—“WEBSITE INDEX.”

DETERMINATION OF EMPLOYER CONTRIBUTIONS

Actuaries and the Actuarial Process

Under the Pension Code, the required employer contributions to the Retirement Systems are calculated and recommended by independent actuaries on an annual basis. Each Retirement System's actuary produces a report, certified by the board of such Retirement System, called the “Actuarial Valuation,” in which the actuary reports in part on the Retirement System's assets, liabilities, and Required Annual Statutory Contribution for the following fiscal year. The Actuarial Valuation also includes financial reporting information prepared pursuant to applicable GASB pronouncements.

The Pension Code requires each Retirement System to produce an Actuarial Valuation for each fiscal year. Each Retirement System hires an actuary independent of the State to prepare its Actuarial Valuation. The Actuarial Valuations are publicly available and may be obtained from the respective Retirement Systems. See “—SOURCE INFORMATION.”

The Required Annual Statutory Contribution is computed in accordance with the Pension Code and, more specifically, the Statutory Funding Plan, as hereinafter defined. The Statutory Funding Plan did not conform to the financial reporting standards promulgated by the Governmental Accounting Standards Board (“GASB”) previously in effect (such standards to be hereinafter described and defined as the Prior GASB Standards). The Prior GASB Standards required calculation of an “Actuarially Required Contribution”² which, as a result of the Statutory Funding Plan, differed from the Required Annual Statutory Contribution. The differences between the requirements of the Prior GASB Standards and the State’s statutory requirements are discussed in “—DETERMINATION OF EMPLOYER CONTRIBUTION—*Statutory Funding Plan Not in Accordance with GASB Standards.*”

The Actuarial Valuation

The primary purpose of the Actuarial Valuation is to determine the amount the State must contribute to each Retirement System in a given fiscal year to satisfy its current and future obligations to pay benefits to eligible members of the Retirement Systems as provided in the Pension Code (the “Required Annual Statutory Contribution”). Each Actuarial Valuation must be accompanied by a statement from an actuarial firm that, to the best of its knowledge, the Actuarial Valuation is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

To determine the Required Annual Statutory Contribution, the actuary calculates both the “Actuarial Accrued Liability” and the “Actuarial Value of Assets.” To calculate the Actuarial Accrued Liability, the actuary uses a variety of demographic data about the Retirement System’s membership (such as employee age, salary and service credits), the benefit provisions of the Retirement System, and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement, mortality and disability rates) to estimate future benefit payments, which are then discounted using an assumed investment rate of return to determine the present value of future benefits (the “PV of Future Benefits”). The PV of Future Benefits is an estimate of the value of the benefits to all members as of the date of the Actuarial Valuation, and includes benefits not yet earned, but assumed to be earned, by members of the Retirement System. Beginning in Fiscal Year 2018, any changes in the State’s contributions to the Retirement Systems caused by a change in actuarial assumptions will be recognized in contributions over a five-year period. See “—ACTUARIAL ASSUMPTIONS” below. Using an actuarial cost method, the actuary allocates the PV of Future Benefits to past, current and future service for each member of the Retirement System. The portion of the PV of Future Benefits allocated to past service is referred to as the Actuarial Accrued Liability and the portion of the PV of Future Benefits allocated to current service is referred to as the “Normal Cost.” The Actuarial Value of Assets reflects the value of the investments and other assets held by the Retirement System. Various methods exist for calculating the Actuarial Value of Assets. For a discussion of these methods and assumptions used to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets of the Retirement Systems, see “—ACTUARIAL METHODS” and “—ACTUARIAL ASSUMPTIONS” below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the “Unfunded Actuarial Accrued Liability” or “UAAL.” The UAAL represents the portion of the Actuarial Accrued Liability that is not matched by current plan assets. In addition, the actuary will compute the “Funded Ratio,” which is the result obtained by dividing the Actuarial Value of Assets by the Actuarial Accrued Liability. The Funded Ratio and the UAAL are used to measure the financial health of a pension plan. An increasing UAAL or a decreasing Funded Ratio from year to year may signal a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing UAAL or an increasing Funded Ratio may indicate an

² The Prior GASB Standards refers to this concept as the Annual Required Contribution. In this Official Statement, this concept is referred to as the Actuarially Required Contribution and differs from the State’s statutorily defined concept of the Required Annual Statutory Contribution. The Actuarially Required Contribution, under the Prior GASB Standards is the amount required to pay the employer’s normal cost plus the cost to amortize the plan’s UAAL over a period of no more than 30 years. The method of determining the State’s Required Annual Statutory Contribution is put forth in the applicable statutes of the Illinois Pension Code (40 ILCS 5/) for each State Retirement System.

improvement in the financial health of a pension plan because such a change reflects a closing gap between the liabilities accrued by the pension plan and the assets necessary to pay those liabilities when they become due. A 100% Funded Ratio means existing actuarial assets are sufficient to pay the present value of projected benefits earned as of the valuation date.

The actuaries use the Actuarial Accrued Liability, the Actuarial Value of Assets and the UAAL to compute the Required Annual Statutory Contribution for each Retirement System in accordance with the Pension Code. The Pension Code sets forth the manner of calculating the Required Annual Statutory Contribution under the Statutory Funding Plan. The Statutory Funding Plan requires the State to contribute annually an amount equal to a level percent of payroll necessary to allow each Retirement System to achieve a 90% Funded Ratio by Fiscal Year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions.

In addition, beginning with the fiscal year ended June 30, 2014, the Actuarial Valuation includes the financial reporting information required by the New GASB Standards, as defined and described in the succeeding section hereof.

GASB Financial Reporting Standards

GASB promulgates standards for financial reporting with respect to financial statements prepared by public pension systems and governments sponsoring such pension systems. Although the Retirement Systems' actuaries utilize these standards in preparing certain aspects of the Actuarial Valuation, such standards do not impact the calculation of the State's contribution to the Retirement Systems which is determined pursuant to the Statutory Funding Plan.

At present, several GASB standards apply to preparing financial reports with respect to defined benefit pension plans, specifically: GASB Statement No. 67 (Financial Reporting for Pension Plans) ("GASB 67") which replaced GASB Statement No. 25 (Financial Reporting for Defined Benefit Pension Plans) ("GASB 25"), and GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) ("GASB 68" and, together with GASB 67, the "New GASB Standards") which replaced GASB Statement No. 27 (Accounting for Pensions by State and Local Government Employers) ("GASB 27" and, together with GASB 25, the "Prior GASB Standards"), beginning with the fiscal year ended June 30, 2015. GASB 25 and GASB 67 establish standards for financial reporting by pension plans and GASB 27 and GASB 68 establish standards for financial reporting by the governments sponsoring such pension plans. GASB 67 and GASB 68, were approved by GASB on June 25, 2012. GASB 67 is applicable to fiscal years beginning after June 15, 2013. GASB 68 is applicable to fiscal years beginning after June 15, 2014. The New GASB Standards have subsequently been modified by GASB Statement No. 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date) and GASB Statement No. 73 (Accounting and Financial Reporting for Pensions and Related Assets).

The system of financial reporting established by the Prior GASB Standards measured the funding of pension plans through the calculation of the Actuarially Required Contribution and a comparison of the contributions actually made by an employer during a given period to such Actuarially Required Contribution for such period. The calculation of the Actuarially Required Contribution pursuant to the Prior GASB Standards differs in several ways from the calculation of contributions under the Statutory Funding Plan. The differences between the Statutory Funding Plan and the Prior GASB Standards are described in "*—Statutory Funding Plan Not in Accordance with Prior GASB Standards*" below.

Unlike the Prior GASB Standards, the New GASB Standards do not establish approaches to funding pension plans. Instead, the New GASB Standards provide standards solely for financial reporting and accounting related to pension plans. The New GASB Standards require that the Net Pension Liability (as described below) be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the balance sheet of the employer. In addition, the New GASB Standards require an expense (the "Pension Expense") to be recognized on the income statement. The recognition of the Net Pension Liability and the Pension Expense do not measure the manner in which a pension plan is funded. As such, the New GASB Standards do not conflict with the manner of funding established in the Statutory Funding Plan.

However, certain of the actuarial assumptions and actuarial methods required by the New GASB Standards differ from those used by the Retirement Systems in preparing their Actuarial Valuations. For example, the New

GASB Standards require the Retirement Systems to value their assets at the fair market value of such assets on the valuation date, whereas the Pension Code requires the Retirement Systems to use the Asset Smoothing Method (as defined herein) to value their assets for purposes of determining the State's contribution. See "ACTUARIAL METHODS—*Actuarial Value of Assets*" herein. In addition, the New GASB Standards require use of the EAN Method (as defined herein) to calculate the liability of each Retirement System, whereas the Pension Code requires the Retirement Systems to use the PUC Method (as defined herein) for such calculations. See "ACTUARIAL METHODS—*Actuarial Accrued Liability*" herein. Finally, the calculated Discount Rate (as hereinafter defined) used to discount the liabilities of each Retirement System under the New GASB Standards may differ from assumed investment rate of return assumptions separately established by the boards of each of the Retirement Systems. See "ACTUARIAL ASSUMPTIONS—*Assumed Investment Rate of Return*" herein.

Statutory Funding Plan Not in Accordance with Prior GASB Standards

The method of amortizing the UAAL used by the Statutory Funding Plan does not conform with the provisions of the Prior GASB Standards, particularly GASB 25. The provisions of the Statutory Funding Plan differ from those generally accepted accounting principles formerly required by GASB 25 in two significant respects.

First, the goal of the Statutory Funding Plan is to amortize the portion of the UAAL necessary for the Retirement Systems' Funded Ratio to reach 90% over a 50 year closed period, commencing in Fiscal Year 1996 and ending in Fiscal Year 2045, whereas GASB 25 allowed amortization of the entire UAAL over a 30 year open or closed amortization period. Second, the Statutory Funding Plan allowed the State to contribute less than the level percent of payroll necessary to reach the desired funding level for the first 15 years of the Statutory Funding Plan (the "ramp up" period discussed below, which ended at the conclusion of Fiscal Year 2010). In contrast, GASB 25 did not permit a ramp up to full contributions.

A closed amortization period means that the UAAL is amortized over a fixed number of years such that the UAAL will decrease to a legally defined target (which, for the State, is a 90% Funded Ratio in accordance with the Statutory Funding Plan) upon the passage of the amount of time established as the amortization period (which, for the State, is the number of years between the current period and 2045 in accordance with the Statutory Funding Plan), provided required payments are made. For example, under the Statutory Funding Plan, a 30 year amortization period was used to calculate the Required Annual Statutory Contribution for Fiscal Year 2016, while a 29 year amortization period was used to calculate the Required Annual Statutory Contribution for Fiscal Year 2017. Conversely, an open amortization period has no term limit and is therefore recalculated over the full period (generally 30 years) each time a valuation is performed. Assuming that the time periods are the same at the beginning of an amortization, amortizing through use of a closed period will have the effect of decreasing the UAAL at a greater rate than an open amortization period and, in the case of the State, will allow the State to reach its funding target by Fiscal Year 2045, provided that all required contributions are made. The actual results of both an open or closed amortization schedule will be impacted by any changes in actuarial assumptions and/or the performance of the asset portfolio.

These differences between GASB 25 and the Statutory Funding Plan account for the variation between the Required Annual Statutory Contribution and the Actuarially Required Contribution. See "—FUNDED STATUS" below. As a result, the Required Annual Statutory Contribution determined by the Retirement Systems' actuaries, while in conformity with State law, historically was less than the contribution that would otherwise have been determined in accordance with GASB 25 (the "Actuarially Required Contribution"). The Actuarially Required Contribution calculated pursuant to the Prior GASB Standards consisted of three components: (1) the Normal Cost, (2) an amortized portion of the UAAL sufficient to eliminate the UAAL over a period of time (as described in "—ACTUARIAL METHODS—*Actuarial Accrued Liability*"), and (3) one year's interest, calculated at the Assumed Actuarial Rate, on the unfunded pension liability. As discussed above, the Statutory Funding Plan requires the determination of the Required Annual Statutory Contribution by calculation of a level percent of payroll necessary to reach a 90% Funded Ratio by Fiscal Year 2045 and does not require elimination of the entire UAAL.

ACTUARIAL METHODS

The Retirement Systems use the following actuarial methods to calculate the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

Prior to Fiscal Year 2009, the State valued assets at fair value, recognizing all investment gains and losses as they occurred. The Actuarial Value of Assets is a measure of the value of the assets available in the pension plan to pay benefits. Beginning with Fiscal Year 2009, the State recognizes actuarial investment gains and losses on such assets equally over a five year period when determining the Actuarial Value of Assets. This method of valuation is called the “Asset Smoothing Method.” Under the Asset Smoothing Method, the State will recognize in the current year 20% of the investment gain or loss incurred in each of the previous five years. State law provides for application of the Asset Smoothing Method prospectively, beginning with Fiscal Year 2009. The Asset Smoothing Method, which is an approved method for determining the Actuarial Value of Assets under the Prior GASB Standards but is not an approved method under the New GASB Standards (which require calculation of the Actuarial Value of Assets at fair market value), is intended to mitigate against extreme fluctuations in the Actuarial Value of Assets, the UAAL, the Funded Ratio, and the Required Annual Statutory Contribution that may otherwise occur as a result of market volatility. Because asset smoothing recognizes each year’s gains and losses over a five year period, the current Actuarial Value of Assets does not reflect the fair value of such assets at the time of measurement. As a result, the Actuarial Value of Assets as determined under the Asset Smoothing Method most likely will differ from the value of such assets pursuant to a valuation method that immediately recognizes investment gains and losses annually.

Actuarial Accrued Liability

As described above, the actuary for a Retirement System uses an actuarial cost method in calculating the Actuarial Accrued Liability and the Normal Cost. While actuarial cost methods differ, all are based on the concept that the funding of benefits should occur as benefits are earned by active members of a Retirement System. Different actuarial cost methods will produce different contribution patterns, but such actuarial cost methods will not change the actual cost of the benefits.

The Pension Code requires that the Actuarial Accrued Liability of the Retirement Systems be calculated pursuant to the projected unit credit actuarial cost method (the “PUC Method”), which was an approved actuarial cost method under the Prior GASB Standards. The Prior GASB Standards also authorized the use of the entry age normal actuarial cost method (the “EAN Method”) instead of the PUC Method. The EAN Method is the actuarial cost method required by the New GASB Standards.

The PUC Method allocates the PV of Future Benefits based on the service credits of each member of a Retirement System. In contrast, under the EAN Method, the Normal Cost rate for each member is developed as the level percent of payroll that, if applied to the member’s pay each year and contributed over the member’s expected career, would fully fund the member’s PV of Future Benefits. The EAN Method is designed to produce a Normal Cost that is stable in amounts that increase at the same rate as the employer’s payroll, whereas the PUC Method results in a Normal Cost that tends to increase at a greater rate than the employer’s payroll.

Considered independently of other factors, use of the EAN Method results in higher contribution rates associated with the earlier years of employment for active employees, when compared to the PUC Method. This allows a Retirement System to accumulate greater investment returns throughout the careers of such employees and results in lower aggregate employer contributions in the long term. In contrast, use of the PUC Method tends to result in lower contribution rates in the earlier years of employment for active employees and, therefore, a slower accumulation of assets and rising, rather than level, contribution rates when compared to the EAN Method. Such differences between the PUC Method and the EAN Method result from the fact that the PUC Method allocates a higher portion of retirement costs closer to retirement, while the EAN Method spreads those costs evenly as a percentage of pay over the member’s period of employment.

ACTUARIAL ASSUMPTIONS

General

The Actuarial Valuations of the Retirement Systems use a variety of assumptions to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. Although several of the assumptions are the same across all of the Retirement Systems, each Retirement System determines, within actuarial standards, the assumptions to be used

in its Actuarial Valuation. The specific assumptions used by a Retirement System can have a substantial impact on the UAAL, the Net Pension Liability, the Funded Ratio and the State's required contribution to the Retirement System. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Systems. Variances between the assumptions and actual results will cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution. Certain of these assumptions are summarized in Table E 2. For additional information on these assumptions, please see each Retirement System's Actuarial Valuation.

TABLE E-2 - CERTAIN ACTUARIAL ASSUMPTIONS USED BY THE RETIREMENT SYSTEMS

	<u>TRS</u>	<u>SURS</u>	<u>SERS</u>	<u>GARS</u>	<u>JRS</u>
	Projected Unit	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Actuarial Cost Method ⁽¹⁾	Credit	Credit	Credit	Credit	Credit
Investment Rate of Return	7.00%	7.25% ⁽⁴⁾	7.00%	6.75%	6.75%
Assumed Inflation Rate	2.50%	2.75% ⁽⁴⁾	2.75%	2.75%	2.75%
Post-Retirement Increase (Tier 1) ⁽²⁾	3.00%	3.00%	3.00% ⁽⁵⁾	3.00% ⁽⁵⁾	3.00% ⁽⁵⁾
Projected Salary Increases	Various ⁽³⁾	3.75% to 15.0% ⁽⁶⁾	Various ⁽⁷⁾	3.00% ⁽⁸⁾	3.00% ⁽⁹⁾

Source: Actuarial Valuations of the Retirement Systems as of June 30, 2017.

- (1) Under the projected unit credit actuarial cost method, the actuarial liability is the actuarial present value of that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The Normal Cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.
- (2) All values are compounded.
- (3) Compensation is assumed to increase between 3.25% and 9.25% based on years of service. Of these increases, 2.50% represents inflation adjustments and 0.75% represents real wage growth.
- (4) In March 2018, the SURS board lowered the investment rate of return assumption to 6.75% and the assumed inflation rate assumption to 2.25%, each effective June 30, 2018. These assumptions will be reflected in the Fiscal Year 2020 State contribution.
- (5) The respective Boards of SERS, GARS and JRS have decreased the assumed rate of inflation to 2.50% for the fiscal year ended June 30, 2018.
- (6) Each member's compensation is assumed to increase by 3.75% each year, 2.75% reflecting salary inflation and 1.00% reflecting standard of living increases. For members with less than 34 years of service, an additional projected salary increase factor is added to the assumed rate. In March 2018, the SURS board lowered these assumptions to a range of 3.25% to 12.25%, effective June 30, 2018. The assumptions will be first reflected in the Fiscal Year 2020 State contribution.
- (7) The wage inflation assumption was lowered to 3.00% effective for the year ended June 30, 2018, which consists of a price inflation of 2.50% and a productivity increase of .50%.
- (8) Consists of an inflation component of 2.75% and a productivity/merit/promotion component of 0.25%. The GARS Board decreased this assumption to 2.75% for the fiscal year ended June 30, 2018.
- (9) Consists of an inflation component of 2.75% and a productivity/merit/promotion component of 0.25%. The JRS Board decreased this assumption to 2.75% for the fiscal year ended June 30, 2018.

The Pension Code requires each of the Retirement Systems to conduct an actuarial experience review every three years. GARS, JRS and SERS last conducted an actuarial experience review based on the three-year period ending June 30, 2015. TRS last conducted an experience review in preparation of the Actuarial Valuation for the Fiscal Year ended June 30, 2015. SURS recently concluded an experience study based on the four-year period ended June 30, 2017. The purpose of the experience review is to determine the reasonableness of the actuarial assumptions regarding mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the Retirement Systems. Pursuant to the passage of Public Act 97 694, the State Actuary is required to review and deliver a report to the Boards regarding the reasonableness of the actuarial assumptions contained in the Actuarial Valuations of the Retirement Systems. Based upon the results of this review, the board of the applicable Retirement System may revise such actuarial assumptions as it deems appropriate. The most recent report of the State Actuary, with respect to the fiscal year ended June 30, 2017, is discussed under "—RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS—*State Actuary's Fiscal Year 2017 Report.*"

Public Act 100-23 provides that, beginning in Fiscal Year 2018, changes to the amount of the State's contributions to the Retirement Systems caused by a change in the actuarial assumptions of a Retirement System will be recognized over a period of five years. This requirement applies retroactively to any changes in actuarial assumptions made since the Actuarial Valuation for the Fiscal Year ended June 30, 2012) for the Fiscal Year 2014 State contribution, and prospectively for any changes in assumption made beginning with the Fiscal Year 2016 Actuarial Valuation (for the Fiscal Year 2018 State contribution to the Retirement Systems). See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

Assumed Investment Rate of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement System. For the Fiscal Year ending June 30, 2009, each Retirement System assumed an investment rate of return of either 8.00% or 8.50%. Each Retirement System has since reduced its respective investment rate of return. SERS and TRS reduced their respective investment rate of return assumptions to 7.00%, and GARS and JRS reduced their respective investment rate of return assumptions to 6.75% for Fiscal Year 2016. SURS reduced its assumed investment rate of return from 7.75% to 7.25% for Fiscal Year 2014, and, in March 2018, the SURS board further reduced its assumed investment rate of return to 6.75%, effective June 30, 2018. The reductions previously approved by the Retirement Funds have the effect of increasing the UAAL and the Required Annual Statutory Contribution as the Retirement Systems assume that plan assets will produce less income to pay projected benefits. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Systems on their assets may be higher or lower than the assumed rate. See Table E 3 for the rates of return on the Retirement Systems' assets for the last ten fiscal years. Changes in the Retirement Systems' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the State's adoption of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining actuarial gain or loss spread over the remaining four years. See "—ACTUARIAL METHODS—Actuarial Value of Assets" above.

The assumed investment rates of return utilized by the Retirement Systems complied with the requirements of the Prior GASB Standards. The New GASB Standards similarly employ a rate, referred to in such statements as the "Discount Rate," which is used to discount the projected benefit payments to current participants to be made by the Retirement Systems to their actuarial present values. The Discount Rate may be a blended rate comprised of (1) a long term expected rate of return on a Retirement System's investments (to the extent that such assets are projected to be sufficient to pay benefits) and (2) a tax exempt municipal bond rate meeting certain specifications set forth in the New GASB Standards. Therefore, in certain cases in which the assets of a Retirement System are not expected to be sufficient to pay the projected benefits of such Retirement System, the Discount Rate calculated pursuant to the New GASB Standards may be lower than the investment rate of return established by the Retirement System when reporting pursuant to the Prior GASB Standards, which will have the effect of increasing the Net Pension Liability of such Retirement System relative to the Net Pension Liability of such Retirement System calculated under the rate determined pursuant to the Prior GASB Standards. See "—NET PENSION LIABILITY" herein for information regarding the sensitivity of the Net Pension Liability to changes in the Discount Rate.

Adverse market conditions resulted in negative investment returns on the Retirement Systems' assets in Fiscal Years 2008 and 2009, resulting in a significant reduction in the Funded Ratio and a corresponding increase in the UAAL. In addition, the Retirement Systems experienced investment returns significantly below those assumed by the Retirement Systems for the fiscal year ended June 30, 2016 which, combined with changes in certain actuarial assumptions by certain of the Retirement Systems, as well as other factors, caused an increase in the Retirement System's UAAL and a decrease in the Funded Ratio of the Retirement Systems as of June 30, 2016, as well as an increase in the certified contribution to the Retirement System for Fiscal Year 2018 to \$7,911 million. Although positive investment returns were achieved in some intervening fiscal years, including the fiscal year ended June 30, 2017, no assurance can be given that negative trends in investment performance will not occur again in subsequent fiscal years, thereby resulting in a reduction in the Funded Ratio and a corresponding increase in the UAAL when considered independently of other factors.

TABLE E-3 - INVESTMENT RATES OF RETURN, FISCAL YEARS 2008-2017

Fiscal Year	TRS		SURS		SERS		GARS		JRS	
	Assumed	Actual								
2008	8.50%	-5.0%	8.50%	-4.5%	8.50%	-6.2%	8.00%	-6.2%	8.00%	-6.2%
2009	8.50%	-22.7%	8.50%	-19.7%	8.50%	-20.1%	8.00%	-20.1%	8.00%	-20.1%
2010	8.50%	12.9%	7.75%	15.0%	7.75%	9.1%	8.00%	9.1%	7.00%	9.1%
2011	8.50%	23.6%	7.75%	23.8%	7.75%	21.7%	7.00%	21.7%	7.00%	21.7%
2012	8.00%	0.8%	7.75%	0.5%	7.75%	0.1%	7.00%	0.1%	7.00%	0.1%
2013	8.00%	12.8%	7.75%	12.5%	7.75%	14.1%	7.00%	14.1%	7.00%	14.1%
2014	7.50%	17.4%	7.25%	18.2%	7.25%	17.9%	7.00%	17.9%	7.00%	17.9%
2015	7.50%	4.0%	7.25%	2.9%	7.25%	4.7%	7.00%	4.7%	7.00%	4.7%
2016	7.00%	0.0%	7.25%	0.2%	7.00%	-0.8%	6.75%	-0.8%	6.75%	-0.8%
2017	7.00%	12.6%	7.25%	12.2%	7.00%	12.3%	6.75%	12.3%	6.75%	12.3%
5-Yr. Avg. Geometric Return	-	9.2%	-	9.0%	-	9.4%	-	9.4%	-	9.4%
10-Yr Avg. Geometric Return	-	4.8%	-	5.4%	-	4.6%	-	4.6%	-	4.6%

Source: CAFRs of the Retirement Systems for the fiscal years ending June 30, 2008 through June 30, 2017.

HISTORY OF CONTRIBUTIONS TO THE RETIREMENT SYSTEMS

Under the Pension Code, the State is required to make the Required Annual Statutory Contribution in each fiscal year.

The General Assembly and Governor enacted the Pension Funding Act in 1994. The Pension Funding Act created a 50 year schedule of State contributions to the Retirement Systems designed to achieve a 90% Funded Ratio by the end of Fiscal Year 2045 (the “Statutory Funding Plan”). In each fiscal year beyond Fiscal Year 2045, the Pension Funding Act requires that the State annually contribute the amount necessary to maintain the Funded Ratio at 90% for each Retirement System.

The Statutory Funding Plan consists of two parts: (i) a ramp up period of increasing State contributions as a percentage of payroll in each of the Fiscal Years 1996 to 2010 and (ii) a period of contributions equal to the level percent of payroll necessary to cause the assets of the Retirement Systems to equal 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. The level percent of payroll is revised and adjusted each year based on modifications to the actuarial assumptions and changes in the Actuarial Value of Assets. During the ramp up period, the Statutory Funding Plan required that the percentage of payroll contributed by the State increase by an equal amount in each year such that, by Fiscal Year 2010, the contribution percentage of payroll was equal to the same percentage of payroll required to be contributed for years 2011 through 2045.

The State made the Required Annual Statutory Contribution for each of Fiscal Years 1996 through 2002. These contributions were not sufficient to cover the full Normal Cost and interest, determined pursuant to the Prior GASB Standards, for such fiscal years. As a result, the UAAL continued to grow during the ramp up period. See “— DETERMINATION OF EMPLOYER CONTRIBUTIONS—Actuaries and the Actuarial Process” and “— DETERMINATION OF EMPLOYER CONTRIBUTION—Statutory Funding Plan Not in Accordance with GASB Standards” above.

On June 12, 2003, the State issued \$10 billion of general obligation pension funding bonds (the “2003 Pension Bonds”) pursuant to authority granted by the General Assembly in Public Act 93 0002 (the “2003 Pension Bond Act”). The net proceeds of the 2003 Pension Bonds were used to (i) reimburse the State’s General Revenue Fund for \$300 million of the Required Annual Statutory Contribution made for Fiscal Year 2003, (ii) provide funding to the State’s General Revenue Fund for the full Fiscal Year 2004 Required Annual Statutory Contribution in the amount of \$1.86 billion and (iii) fund a portion of the UAAL in the amount of \$7.3 billion in Fiscal Year 2004. As a result, the State funded approximately 25% of its Fiscal Year 2003 Required Annual Statutory Contribution and all

of its Fiscal Year 2004 Required Annual Statutory Contribution from the proceeds of the 2003 Pension Bonds and not from the General Revenue Fund. The 2003 Pension Bond Act also provided that, beginning in Fiscal Year 2005, the State’s Required Annual Statutory Contributions in each fiscal year during which the 2003 Pension Bonds are outstanding may not exceed the Required Annual Statutory Contribution for each Retirement System that would have been required if the System had not received any payments from the proceeds of the 2003 Pension Bonds less the portion of the State’s total debt service payments on the 2003 Pension Bonds allocated to such Retirement System based on the total moneys distributed to such Retirement System from the proceeds of the 2003 Pension Bonds (the “2003 Pension Bond Limitation”). See Table E 4 below for a schedule of the remaining annual debt service payments on the 2003 Pension Bonds.

The \$7.3 billion contribution from the proceeds of the 2003 Pension Bonds directly reduced the UAAL, and, therefore, reduced future contributions from the levels that would have been required if the bond proceeds had not been used as additional contributions. The reduction of future Required Annual Statutory Contributions by the debt service payments on the 2003 Pension Bonds had the effect of increasing the UAAL, however, because the State does not make the full contribution originally required by the Statutory Funding Plan as a result of this reduction. At the time of the issuance of the 2003 Pension Bonds, the State assumed that the investment returns made on the 2003 Pension Bond proceeds used to reduce the UAAL would be greater than the debt service on the 2003 Pension Bonds, creating a net decrease in the UAAL in each year. The total interest cost percentage of the 2003 Pension Bond proceeds at the date of issuance was 5.05%. Therefore, in any year that actual investment returns, measured in dollars, exceed debt service payments on the 2003 Pension Bonds for such year, the UAAL is reduced from what the UAAL would have been in the absence of the issuance of the 2003 Pension Bonds. Conversely, in those fiscal years in which actual investment returns, measured in dollars, are less than debt service payments on the 2003 Pension Bonds, the UAAL is increased from what the UAAL would have been in the absence of the issuance of the 2003 Pension Bonds. The Retirement Funds’ investment rates of return for Fiscal Years 2008 through 2017 are set forth in Table E 3. The State’s future debt service requirements with respect to the 2003 Pension Bonds are set forth in Table E 4. No assurance can be given that future investment trends or legislation affecting the Statutory Funding Plan will not occur, causing further change in the UAAL.

TABLE E-4 - DEBT SERVICE ON 2003 PENSION BONDS⁽¹⁾

FISCAL YEAR	DEBT SERVICE DUE ON 2003 PENSION BONDS	FISCAL YEAR	DEBT SERVICE DUE ON 2003 PENSION BONDS
2019	633.2	2027	\$ 936.1
2020	674.6	2028	979.2
2021	713.4	2029	1,018.5
2022	749.8	2030	1,079.0
2023	783.7	2031	1,134.4
2024	840.2	2032	1,159.7
2025	892.2	2033	1,156.1
2026	915.4		

(1) In millions of dollars.

In Fiscal Year 2005, the State made the Required Annual Statutory Contribution, which included a reduction by an amount equal to the debt service due on the 2003 Pension Bonds in that year. The UAAL increased in 2005 despite the State making the full Required Annual Statutory Contribution because the Required Annual Statutory Contribution was less than the Normal Cost plus interest.

State contributions to the Retirement Systems for Fiscal Years 2006 and 2007 were governed by the provisions of Public Act 94 0004 (“PA 94 4”). PA 94 4 modified the Statutory Funding Plan to specify reduced Required Annual Statutory Contributions for these two fiscal years. These reduced contributions were also lower than the Actuarially Required Contributions for such fiscal years. Under the provisions of the Statutory Funding Plan as originally constituted in the Pension Funding Act, the State would have been required to contribute \$2.12 billion in Fiscal Year 2006 and \$2.51 billion in Fiscal Year 2007. PA 94 4 reduced these contributions to \$0.94 billion and \$1.37 billion, respectively, which represented reductions of 55.7% and 45.3%, respectively. The contribution reductions required by PA 94 4 had the dual effect of increasing the UAAL and delaying payment of the deferred portion of the contribution to a future fiscal year.

The State made the full Required Annual Statutory Contributions for Fiscal Years 2008 and 2009 subject to the 2003 Pension Bond Limitation. The UAAL increased despite the State making the Required Annual Statutory Contributions under the Statutory Funding Plan because actual investment returns were below rate of return assumptions and the annual contributions were below the Normal Cost plus interest.

With respect to the State's contribution to the Retirement Systems for Fiscal Year 2010, pursuant to authorization under Public Act 96 0043 (the "2010 Pension Bond Act"), the State issued \$3.47 billion of general obligation pension funding bonds (the "2010 Pension Bonds") to fund a portion of the Fiscal Year 2010 Required Annual Statutory Contribution. With respect to the State's contribution to the Retirement Funds for Fiscal Year 2011, the State issued \$3.7 billion in general obligation pension funding bonds (the "2011 Pension Bonds"), pursuant to the authorization under PA 96 1497 (the "2011 Pension Bond Act"), to fund a portion of the Required Annual Statutory Contribution for Fiscal Year 2011. Neither the 2010 Pension Bond Act nor the 2011 Pension Bond Act contain provisions having an effect similar to that of the 2003 Pension Bond Limitation. In Fiscal Years 2010 and 2011, the UAAL increased even though the State made the Required Annual Statutory Contributions because such contributions were lower than the Normal Cost plus interest.

The State made all required Fiscal Year 2012, 2013, 2014, 2015, 2016 2017 and 2018 payments to the Retirement Systems although certain portions of the required payments were not made monthly or were made during the two month "lapse period" which starts on July 1 of the following Fiscal Year (the lapse period is three months for Fiscal Year 2017 and four months for Fiscal Year 2018). The State expects to make all required Fiscal Year 2019 payments to the Retirement Systems by the end of the 2019 lapse period. Despite the State making all such required payments, the UAAL of the Retirement Systems continued to increase during this period of time as a result of a variety of factors including contributions being lower than Normal Cost plus interest, investment returns lower than the assumed investment rate of return, and changes in actuarial assumptions. The Retirement Systems have sold assets from time to time to pay benefits as a result of a deficit between the contributions actually received by the Retirement Systems and their annual expenditures, including benefit payments, and as a means of managing cash flow delays. Failure by the State to make its payments to the Retirement Systems on a timely basis can exacerbate the pace at which the Retirement Systems may be required to sell assets to meet benefit payment requirements. If such assets are not replaced, the Actuarial Value of Assets will decrease and the UAAL and future Required Annual Statutory Contributions will increase because the Retirement Systems will no longer have those assets, or the investment earnings on those assets, to pay benefits in the future.

Pursuant to the Statutory Funding Plan, commencing with Fiscal Year 2011, the State is required to make contributions to the Retirement Systems at the level percentage of payroll necessary to increase the Funded Ratio to 90% by the end of Fiscal Year 2045. The State's ability to make the required contributions under the Statutory Funding Plan is subject to the State having the funds necessary to make the contributions required under the plan. The availability of such funds will require funded appropriations and the availability of sufficient revenues to the Retirement Systems by the State or the issuance of additional pension obligation bonds. No assurances can be given that the State will have the revenues necessary to fund the Retirement Systems from continuing operations, that payments from revenues will be made to the Retirement Systems or that such bonds will be issued. If the State for any reason does not contribute the Required Annual Statutory Contribution in any fiscal year, and it does not contribute the shortfall between the actual contribution and the Required Annual Statutory Contribution in a subsequent fiscal year, the Funded Ratio will decrease and it is unlikely that the State will be able to achieve a 90% Funded Ratio by the end of Fiscal Year 2045. If the State issues additional pension obligation bonds to make the Required Annual Statutory Contribution in any year and reduces future Required Annual Statutory Contributions by the amount of the debt service on such bonds, the UAAL will increase by the amount of such debt service. No assurance can be given that the State will not, through legislative action, subsequently modify the amount to be contributed in any given year.

Table E 5 shows the State's Actuarially Required Contributions (for fiscal years 2008 through 2015 for each of the Retirement Systems except TRS, and fiscal years 2008 through 2016 for TRS) and the ADC (as hereinafter defined) (for fiscal years 2016 and 2017 for each of the Retirement Systems except TRS, and fiscal year 2017 for TRS) along with the percentage of those contributions actually made in each of 2008 through 2017.

TABLE E 5 HISTORY OF STATE CONTRIBUTIONS⁽¹⁾

Fiscal Year	Amount Contributed⁽²⁾	Actuarially Required Contribution or ADC	Percentage Contributed
2008	\$2,145.0	\$3,729.2	57.5%
2009	2,891.9	4,076.4	70.9%
2010	4,130.9	4,786.8	86.3%
2011	4,298.6	5,906.6	72.8%
2012	5,012.8	6,609.6	75.8%
2013	5,893.9	7,015.3	84.0%
2014	6,944.7	7,752.0	89.6%
2015	7,020.1	7,896.8	88.9%
2016 ⁽³⁾	7,501.9	8,388.4	89.4%
2017 ⁽³⁾	7,803.6	10,422.7	74.9% ⁽⁴⁾

Source: Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2008 through June 30, 2017 and the Actuarial Valuations of the Retirement Systems for the fiscal year ended June 30, 2017.

- (1) In millions of dollars.
- (2) Includes all State funds. TRS also includes local employers and federal funds that count towards the Actuarially Required Contribution (ARC).
- (3) As described under the heading “DETERMINATION OF EMPLOYER CONTRIBUTIONS—GASB Financial Reporting Standards,” the New GASB Standards no longer require the calculation of the Actuarially Required Contribution. Under the New GASB Standards, the Board of a Retirement System calculates an Actuarially Determined Contribution (“ADC”) on a basis set forth in its Actuarial Valuation. Prior to the fiscal year ended June 30, 2016 (June 30, 2017 for TRS), the Retirement Systems used the Actuarially Required Contribution as the ADC. Beginning with the fiscal year ended June 30, 2016 (June 30, 2017 for TRS), the Actuarial Valuations of the Retirement Systems included an ADC which amortizes the UAAL of the respective Retirement System over a fixed period of time as opposed to the open 30-year amortization period used to calculate the Actuarially Required Contribution. For the fiscal year ended June 30, 2017, the remaining amortization periods (with the original amortization period provided in parentheses) used in calculating the ADCs of the individual Retirement Systems were as follows: TRS: 20 years (20 years); SURS: 28 (30 years); SERS: 23 years (25 years); JRS: 23 years (25 years); and GARS: 18 years (20 years). Future gains and losses will be amortized over subsequent original amortization periods. As a result of the differences in the calculation of the ADC and the Actuarially Required Contribution discussed in this note, the ADC for the fiscal year ended June 30, 2017 would exceed the amount of the Actuarially Required Contribution had it been calculated, and, as a result, the percentage of the ADC contributed is lower than the percentage of the Actuarially Required Contribution would have been had it been calculated, primarily as a result of the remaining amortization periods used in calculating the ADC being (i) less than the 30 year period used in calculating the Actuarially Required Contribution, and (ii) fixed time periods as opposed to open time periods.
- (4) The State’s percentage contributed declined in Fiscal Year 2017 primarily as a result of TRS establishing a 20-year closed amortization period in calculating its ADC. This amortization period, which is shorter than that used in calculating the Required Annual Statutory Contribution, causes the ADC for TRS to substantially exceed the Required Annual Statutory Contribution which the State is authorized to pay under the Pension Code, and, as such, the difference between the ADC and the actual State contribution to TRS increased.

The preliminary certifications of the State’s contribution to the Retirement Systems for Fiscal Year 2019 provide for a contribution of approximately \$8,451 million. This contribution is greater than contributions in previous fiscal years as a result of, among other factors, the reduction in the assumed investment rate of return by TRS and SERS, changes in other assumptions by SERS and investment returns in Fiscal Year 2016 being substantially lower than assumed. However, P.A. 100-587 provides that the Retirement Systems must recertify the amount of the Fiscal Year 2019 contribution as a result of changes made to the Pension Code in that legislation. The State expects that such recertification will occur during calendar year 2019. The State makes no prediction as to the effect of such recertification on the amount of the State’s Fiscal Year 2019 contribution to the Retirement Systems. The State expects that its contributions to SERS will increase in future years as a result of the AFCSME Decision, as described in the Preliminary Official Statement under the heading “STATE FINANCIAL INFORMATION—Collective Bargaining”, which caused a retroactive increase in pensionable salaries for certain State employees.

FUNDED STATUS

As of the end of Fiscal Year 2017, the Retirement Systems had an aggregate UAAL of approximately \$129,092 million on a fair value basis and \$128,860 million on an actuarial basis (calculated pursuant to the Asset Smoothing

Method), resulting in respective Funded Ratios of 39.8% and 39.9%. Factors contributing to the increased UAAL from Fiscal Year 2016 to Fiscal Year 2017 include State contributions less than the Actuarially Required Contribution.

The following tables summarize the financial condition of the Retirement Systems for Fiscal Years 2013 through 2017.

TABLE E-6
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2017
(\$ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self-Managed Plan of SURS⁽¹⁾
Beginning Net Assets ⁽²⁾	\$15,038,528	\$45,250,957	\$17,005,630	\$ 49,052	\$ 840,289	\$ 78,184,456	\$1,825,506
Income							
Member Contributions	\$ 251,611	\$ 929,130	\$ 278,643	\$ 1,284	\$ 14,770	\$ 1,475,438	\$ 85,217
State and Employer Contributions	1,798,348	4,135,860	1,650,551	21,721	131,334	7,737,814	66,916
Investment Income	1,812,878	5,520,453	1,994,310	5,140	97,796	9,430,577	266,350
Total	\$ 3,862,837	\$10,585,443	\$ 3,923,504	\$ 28,145	\$ 243,900	\$ 18,643,829	\$ 418,483
Expenditures							
Benefits and Refunds	\$ 2,355,228	\$ 6,438,006	\$ 2,429,467	\$ 22,493	\$ 141,471	\$ 11,386,665	\$ 73,282
Administration	15,957	22,729	14,847	355	914	54,802	456
Total	\$ 2,371,185	\$ 6,460,735	\$ 2,444,314	\$ 22,848	\$ 142,385	\$ 11,441,467	\$ 73,738
Ending Net Assets (Fair value)	\$16,530,180	\$49,375,665	\$18,484,820	\$ 54,349	\$ 941,804	\$ 85,386,818	\$2,170,251
Actuarial Value of Assets	16,558,873	49,467,525	18,594,326	55,063	942,988	85,618,775	N/A
Actuarial Accrued Liabilities	46,701,348	122,904,034	41,853,348	370,758	2,649,258	214,478,746	N/A
UAAL (Fair Value)	30,171,168	73,528,369	23,368,528	316,409	1,707,454	129,091,928	N/A
UAAL (Actuarial Value) ⁽³⁾	30,142,475	73,436,509	23,259,022	315,695	1,706,270	128,859,971	N/A
Funded Ratio (Fair Value)	35.4%	40.3%	44.2%	14.7%	35.6%	39.8%	N/A
Funded Ratio (Actuarial Value) ⁽³⁾	35.5%	40.3%	44.4%	14.9%	35.6%	39.9%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2017. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

- (1) The SURS Self-Managed Plan (“SMP”) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability. See “BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS”.
- (2) Reflects valuation of assets on a fair value basis as of June 30, 2016.
- (3) The actuarial value is determined by the methods as discussed in “ACTUARIAL METHODS - Actuarial Value of Assets.”

TABLE E-7
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2016
(\$ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS⁽¹⁾
Beginning Net Assets ⁽²⁾	\$15,258,867	\$46,406,916	\$17,462,968	\$ 54,574	\$ 833,910	\$ 80,017,235	\$1,753,554
Income							
Member Contributions	\$ 256,198	\$ 951,809	\$ 278,884	\$ 1,310	\$ 14,962	\$ 1,503,163	\$ 76,457
State and Employer Contributions	1,882,243	3,890,510	1,582,294	16,073	132,060	7,503,180	65,370
Investment Income	(125,443)	(44,103)	17,044	(539)	(6,471)	(159,512)	3,192
Total	\$ 2,012,999	\$ 4,798,216	\$ 1,878,222	\$ 16,843	\$ 140,552	\$ 8,846,831	\$ 145,019
Expenditures							
Benefits and Refunds	\$ 2,217,210	\$ 5,931,207	\$ 2,320,829	\$ 21,983	\$ 133,230	\$ 10,624,459	\$ 72,588
Administration	16,127	22,968	14,731	382	943	55,151	479
Total	\$ 2,233,337	\$ 5,954,175	\$ 2,335,560	\$ 22,365	\$ 134,173	\$ 10,679,610	\$ 73,067
Ending Net Assets (Fair value)	\$15,038,528	\$45,250,957	\$17,005,630	\$ 49,052	\$ 840,289	\$ 78,184,456	\$1,825,506
Actuarial Value of Assets	15,632,604	47,222,098	17,701,646	50,823	870,893	81,478,064	N/A
Actuarial Accrued Liabilities	45,515,370	118,629,890	40,923,301	363,337	2,546,450	207,978,348	N/A
UAAL (Fair Value)	30,476,842	73,378,934	23,917,671	314,285	1,706,161	129,793,898	N/A
UAAL (Actuarial Value) ⁽³⁾	29,882,766	71,407,792	23,221,655	312,514	1,675,557	126,500,284	N/A
Funded Ratio (Fair Value)	33.0%	38.1%	41.6%	13.5%	33.0%	37.6%	N/A
Funded Ratio (Actuarial Value) ⁽³⁾	34.4%	39.8%	43.3%	14.0%	34.2%	39.2%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2016. Table may not add due to rounding. Certain information was provided by the Retirement Systems

(1) The SURS Self Managed Plan (“SMP”) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability. See “BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS.”

(2) Reflects valuation of assets on a fair value basis as of June 30, 2015.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “ACTUARIAL METHODS—Actuarial Value of Assets.”

TABLE E-8
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2015
(\$ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS⁽¹⁾
Beginning Net Assets ⁽²⁾	\$14,581,565	\$45,825,382	\$17,391,323	\$ 56,790	\$ 776,012	\$78,631,072	\$1,584,691
Income							
Member Contributions	\$ 266,139	\$ 935,451	\$ 267,682	\$ 1,487	\$ 15,431	\$ 1,486,191	\$ 72,328
State and Employer Contributions	1,804,319	3,523,257	1,528,525	15,871	134,040	7,006,012	62,334
Investment Income	681,377	1,770,550	503,200	2,288	36,009	2,993,424	90,461
Total	\$ 2,751,835	\$ 6,229,257	\$ 2,299,407	\$ 19,646	\$ 185,480	\$11,485,625	\$ 225,123
Expenditures							
Benefits and Refunds	\$ 2,057,987	\$ 5,625,037	\$ 2,213,694	\$ 21,467	\$ 126,600	\$10,044,785	\$ 55,794
Administration	16,548	21,687	14,069	395	983	53,681	466
Total	\$ 2,074,535	\$ 5,646,724	\$ 2,227,763	\$ 21,861	\$ 127,583	\$10,098,466	\$ 56,260
Ending Net Assets (Fair value)	\$15,258,865	\$46,407,915	\$17,462,967	\$ 54,574	\$ 833,909	\$80,018,230	\$1,753,554
Actuarial Value of Assets	14,741,736	45,435,193	17,097,255	52,565	804,189	78,130,937	N/A
Actuarial Accrued Liabilities	40,743,410	108,121,825	39,520,687	328,244	2,314,147	191,028,313	N/A
UAAL (Fair Value)	25,484,545	61,713,910	22,057,720	273,670	1,480,238	111,010,083	N/A
UAAL (Actuarial Value) ⁽³⁾	26,001,674	62,686,632	22,423,432	275,679	1,509,959	112,897,376	N/A
Funded Ratio (Fair Value)	37.5%	42.9%	44.2%	16.6%	36.0%	41.9%	N/A
Funded Ratio (Actuarial Value) ⁽³⁾	36.2%	42.0%	43.3%	16.0%	34.8%	40.9%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2015. Table may not add due to rounding. Certain information was provided by the Retirement Systems

(1) The SURS Self Managed Plan (“SMP”) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability. See “BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS.”

(2) Reflects valuation of assets on a fair value basis as of June 30, 2014.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “ACTUARIAL METHODS—Actuarial Value of Assets.”

TABLE E-9
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2014
(\$ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS⁽¹⁾
Beginning Net Assets ⁽²⁾	\$12,400,299	\$39,858,768	\$15,037,102	\$ 54,348	\$ 643,329	\$67,993,846	\$1,259,340
Income							
Member Contributions	\$ 269,232	\$ 928,746	\$ 283,081	\$ 1,503	\$ 15,919	\$ 1,498,481	\$ 65,531
State and Employer Contributions	1,699,448	3,596,717	1,502,864	13,957	126,816	6,939,802	57,162
Investment Income	2,169,346	6,782,032	2,667,900	8,363	110,059	11,737,700	246,288
Total	\$ 4,138,026	\$11,307,495	\$ 4,453,845	\$ 23,823	\$ 252,794	\$20,175,983	\$ 368,981
Expenditures							
Benefits and Refunds	\$ 1,940,145	\$ 5,320,663	\$ 2,085,766	\$ 21,046	\$ 119,279	\$ 9,486,899	\$ 43,190
Administration	16,615	21,218	13,858	335	832	52,858	440
Total	\$ 1,956,760	\$ 5,341,881	\$ 2,099,624	\$ 21,381	\$ 120,111	\$ 9,539,757	\$ 43,630
Ending Net Assets (Fair value)	\$14,581,565	\$ 45,824,382	\$17,391,323	\$ 56,790	\$ 776,012	\$78,630,072	\$1,584,691
Actuarial Value of Assets	13,315,613	42,150,765	15,844,714	51,598	705,250	72,067,940	N/A
Actuarial Accrued Liabilities	39,526,845	103,740,377	37,429,515	323,379	2,229,277	183,249,393	N/A
UAAL (Fair Value)	24,945,280	57,915,995	20,038,192	266,589	1,453,265	104,619,321	N/A
UAAL (Actuarial Value) ⁽³⁾	26,211,232	61,589,612	21,584,801	271,781	1,524,027	111,181,453	N/A
Funded Ratio (Fair Value)	36.9%	44.2%	46.5%	17.6%	34.8%	42.9%	N/A
Funded Ratio (Actuarial Value) ⁽³⁾	33.7%	40.6%	42.3%	16.0%	31.6%	39.3%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2014. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

(1) The SURS Self Managed Plan (“SMP”) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability. See “BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS.”

(2) Reflects valuation of assets on a fair value basis as of June 30, 2013.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “ACTUARIAL METHODS—Actuarial Value of Assets.”

TABLE E-10
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2013
(\$ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS⁽¹⁾
Beginning Net Assets ⁽²⁾	\$10,960,686	\$36,516,825	\$13,705,143	\$ 52,745	\$ 577,975	\$61,813,374	\$1,042,819
Income							
Member Contributions	\$ 248,170	\$ 921,422	\$ 245,141	\$ 1,451	\$ 16,369	\$ 1,432,553	\$ 59,938
State and Employer Contributions	1,531,932	2,860,492	1,401,481	14,150	88,240	5,896,295	49,239
Investment Income	1,501,238	4,561,768	1,694,772	6,493	76,886	7,841,157	147,496
Total	\$ 3,281,340	\$ 8,343,682	\$ 3,341,394	\$ 22,094	\$ 181,495	\$15,170,005	\$ 256,673
Expenditures							
Benefits and Refunds	\$ 1,824,256	\$ 4,981,481	\$ 1,996,009	\$ 20,151	\$ 115,309	\$ 8,937,206	\$ 39,726
Administration	17,471	20,258	13,426	340	832	52,327	426
Total	\$ 1,841,727	\$ 5,001,739	\$ 2,009,435	\$ 20,491	\$ 116,141	\$ 8,989,533	\$ 40,152
Ending Net Assets (Fair value)	\$12,400,299	\$39,858,768	\$15,037,102	\$ 54,348	\$ 643,329	\$67,993,846	\$1,259,340
Actuarial Value of Assets	11,877,419	38,155,191	14,262,621	51,850	610,196	64,957,277	N/A
Actuarial Accrued Liabilities	34,720,765	93,886,988	34,373,104	320,462	2,156,805	165,458,124	N/A
UAAL (Fair Value)	22,320,466	54,028,220	19,336,002	266,114	1,513,476	97,464,278	N/A
UAAL (Actuarial Value) ⁽³⁾	22,843,346	55,731,797	20,110,483	268,612	1,546,609	100,500,847	N/A
Funded Ratio (Fair Value)	35.7%	42.5%	43.7%	17.0%	29.8%	41.1%	N/A
Funded Ratio (Actuarial Value) ⁽³⁾	34.2%	40.6%	41.5%	16.2%	28.3%	39.3%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2013. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

- (1) The SURS Self Managed Plan (“SMP”) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability. See “BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS.”
- (2) Reflects valuation of assets on a fair value basis as of June 30, 2012.
- (3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “ACTUARIAL METHODS—Actuarial Value of Assets.”

Tables E 11 presents information regarding the aggregate funding progress of the Retirement Systems for Fiscal Years 2008 through 2017.

**TABLE E-11 - SCHEDULE OF FUNDING PROGRESS⁽¹⁾
FAIR VALUE OF ASSETS AND ACTUARIAL VALUE OF ASSETS
(\$ IN MILLIONS)**

BASED ON FAIR VALUE OF ASSETS

FY	Fair Value of Assets⁽²⁾ (a)	Actuarial Accrued Liability (b)	UAAL (b-a)	Funded Ratio (a/b)	Payroll (c)	UAAL as a % of Payroll ([b-a]/c)
2008	\$64,701	\$119,084	\$54,384	54.3%	\$15,949	341.0%
2009	48,542	126,436	77,893	38.4%	16,607	469.0%
2010	53,225	138,794	85,569	38.3%	17,042	502.1%
2011	63,382	146,460	83,078	43.3%	17,062	486.9%
2012	61,813	158,612	96,798	39.0%	17,314	559.1%
2013	67,934	165,458	97,524	41.1%	17,357	561.9%
2014	78,630	183,249	104,619	42.9%	17,637	593.2%
2015	79,981	191,028	111,048	41.9%	17,890	620.7%
2016	78,184	207,798	129,794	37.6%	17,798	729.3%
2017	85,387	214,479	129,092	39.8%	17,813	724.7%

BASED ON ACTUARIAL VALUE OF ASSETS

FY	Actuarial Value of Assets⁽³⁾ (a)	Actuarial Accrued Liability (b)	UAAL (b-a)	Funded Ratio (a/b)	Payroll (c)	UAAL as a % of Payroll ([b-a]/c)
2009	\$63,996	\$126,436	\$62,439	50.6%	\$16,601	376.0%
2010	63,053	138,794	75,741	45.4%	17,042	444.4%
2011	63,553	146,460	82,907	43.4%	17,062	485.9%
2012	64,030	158,612	94,582	40.4%	17,314	546.3%
2013	64,957	165,458	100,501	39.3%	17,357	579.0%
2014	72,068	183,249	111,181	39.3%	17,637	630.4%
2015	78,131	191,028	112,897	40.9%	17,890	631.1%
2016	81,478	207,978	126,500	39.2%	17,798	710.7%
2017	85,619	214,479	128,860	39.9%	17,813	723.4%

Source: Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2008, through June 30, 2016 and the Actuarial Valuations of the Retirement Systems for the fiscal year ended June 30, 2017.

(1) The SURS Self Managed Plan ("SMP") is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability. See "BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS."

(2) Measures assets at fair value.

(3) Beginning in fiscal year 2009, the actuarial value of assets was determined in accordance with the Asset Smoothing Method. See discussion of Asset Smoothing Method in "ACTUARIAL METHODS-Actuarial Value of Assets."

NET PENSION LIABILITY

GASB 67 calls for the calculation and disclosure of the "Net Pension Liability," which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such

statements as the “Total Pension Liability”) and the value of the pension plan’s assets (referred to as the “Fiduciary Net Position”), calculated at fair market value.

The concept of the Net Pension Liability is similar to the concept of the UAAL. However, because the Fiduciary Net Position is calculated at fair market value, and because of the differences in the manner of calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards, the Retirement Systems’ UAAL and Net Pension Liability most likely will differ on each measurement date.

Table E 12A presents the Net Pension Liability of each Retirement System as of June 30 of the years 2014 through 2017. Table E 12B provides information regarding the impact of potential changes to the Discount Rate on the Net Pension Liability for fiscal year ended June 30, 2017. For additional discussion regarding the rates of return and the Discount Rate as employed by the actuaries of the Retirement Systems, see “ACTUARIAL ASSUMPTIONS—Assumed Investment Rate of Return” above. The June 30, 2014, calculation of the Net Pension Liability was the initial calculation of the Net Pension Liability pursuant to the New GASB Standards, and, as such, historical information is not available.

TABLE E 12A NET PENSION LIABILITY⁽¹⁾

	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability
			TRS	
2014	\$106,683	\$45,824	\$60,858	43.0%
2015	111,917	46,407	65,510	41.5%
2016	124,187	45,251	78,936	36.4%
2017	125,774	49,376	76,398	39.3%
			SURS	
2014	\$39,182	\$17,391	\$21,791	44.4%
2015	41,219	17,463	23,756	42.4%
2016	42,971	17,006	25,965	39.6%
2017	43,966	18,485	25,481	42.0%
			SERS	
2014	\$41,685	\$14,582	\$27,104	35.0%
2015	43,267	15,259	28,008	35.3%
2016	49,184	15,039	34,145	30.6%
2017	49,437	16,530	32,907	33.4%
			JRS	
2014	\$2,231	\$776	\$1,455	34.8%
2015	2,353	834	1,519	35.4%
2016	2,638	840	1,797	31.9%
2017	2,713	942	1,771	34.7%
			GARS	
2014	\$398	\$57	\$341	14.3%
2015	333	55	278	16.5%
2016	374	49	325	13.1%
2017	378	54	324	14.3%
			Total	
2014	\$190,179	\$78,630	\$111,549	41.3%
2015	199,090	80,017	119,071	40.2%
2016	219,353	78,185	141,169	35.6%
2017	222,268	85,387	136,881	38.4%

Source: The Actuarial Valuations of the Retirement Systems for the fiscal years ended June 30, 2014 through June 30, 2017.

(1) In millions. Rows and columns may not sum due to rounding.

**TABLE E-12B - SENSITIVITY OF NET PENSION LIABILITY TO
CHANGES IN THE DISCOUNT RATE⁽¹⁾**

	FISCAL YEAR 2017		
	1%		
	DECREASE	CURRENT	1% INCREASE
TRS			
Discount Rate	6.00%	7.00%	8.00%
Net Pension Liability	\$93,865	\$76,398	\$62,091
SURS			
Discount Rate	6.09%	7.09%	8.09%
Net Pension Liability	\$30,885	\$25,481	\$20,997
SERS			
Discount Rate	5.78%	6.78%	7.78%
Net Pension Liability	\$39,818	\$32,907	\$27,251
GARS			
Discount Rate	5.66%	6.66%	7.66%
Net Pension Liability	\$368	\$324	\$287
JRS			
Discount Rate	5.58%	6.58%	7.58%
Net Pension Liability	\$2,091	\$1,771	\$1,502

Source: The Actuarial Valuations of the Retirement Systems for the fiscal years ended June 30, 2017.

(1) In millions.

COMPONENTS OF CHANGE IN UNFUNDED LIABILITY

A variety of factors impact the Retirement Systems' UAAL. Unexpected increases in member salary and benefits, a lower return on investment than that assumed by the Retirement Systems and employer contributions less than the Actuarially Required Contribution will, each taken independently of other legislative or market effects, cause an increase in the UAAL. Conversely, unexpected decreases in member salary and benefits, a higher return on investment than assumed, an increase in employee contributions and employer contributions in excess of the Actuarially Required Contribution, each taken independently of other legislative or market effects, will decrease the UAAL. In addition, changes in actuarial assumptions and certain other factors may also impact the UAAL. Table E 13 provides information regarding the sources of the change in the UAAL for the Retirement Systems from Fiscal Years 2008 through 2017. The UAAL on a fair value basis increased from approximately \$54 billion at the end of Fiscal Year 2008 to approximately \$129 billion at the end of Fiscal Year 2017, an increase of approximately \$75 billion. No assurances can be given that the State will make the appropriations necessary to meet any deficiencies incurred by the Retirement Systems.

TABLE E 13 COMPONENTS OF CHANGE IN UNFUNDED LIABILITY

Fiscal Year	Salary Increases/ (Decreases)	Investment Returns (Higher)/Lower Than Assumed⁽²⁾	Employer Contributions (Higher)/Lower than Normal Cost Plus Interest⁽³⁾	Benefit Increases	Changes In Actuarial Assumptions	Other Factors⁽⁴⁾	Total Change in Unfunded Liability From Previous Year
2009	\$ (105.8)	\$ 3,831.9	\$ 3,231.3	\$0.0	\$ 0.0	\$ 1,097.7	\$ 8,055.2
2010	(421.9)	4,818.1	2,746.1	0.0	5,209.1	950.5	13,301.8
2011	(847.3)	2,667.2	3,666.0	0.0	581.3	1,098.7	7,166.0
2012	(1,294.5)	2,844.8	4,308.0	0.0	4,625.0	1,191.5	11,674.8
2013	(631.2)	2,398.7	3,353.0	0.0	71.3	727.3	5,919.1
2014	(229.0)	(3,130.5)	2,408.9	0.0	11,107.0	524.2	10,680.6
2015	(820.3)	(2,399.6)	3,212.9	0.0	1,559.3	163.7	1,715.9
2016	(957.9)	701.8	2,730.4	0.0	9,669.0	1,471.4	13,614.7
2017	(598.9)	(701.7)	3,195.2	0.0	0.0	465.0	2,359.6
Total	(\$5,906.8)	\$11,030.7	\$28,851.8	\$0.0	\$32,822.0	\$7,690.0	\$74,487.7

Source: Commission on Government Forecasting and Accountability, Report on the Financial Condition of the Illinois Retirement Systems: Financial Condition as of June 30, 2014. See “RECENT REPORTS AND OTHER DEVELOPMENTS REGARDING THE RETIREMENT SYSTEMS—Report of the Commission on Government Forecasting and Accountability.” Information regarding Fiscal Years 2015, 2016 and 2017 was provided by the Retirement Systems.

- (1) Dollars in millions. Table may not add due to rounding.
- (2) Investment returns beginning Fiscal Year 2009 based on Asset Smoothing Method.
- (3) To determine whether employer contributions represented an increase or decrease in UAAL, such contributions are measured against contributions based on the Normal Cost plus interest. If employer contributions exceed Normal Cost plus interest, the UAAL will decrease. If employer contributions are less than Normal Cost plus interest, the UAAL will increase.
- (4) Other factors include, but are not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed.

PROJECTION OF CONTRIBUTIONS AND FUNDED STATUS

Table E 14 provides a projection of the State’s Required Annual Statutory Contribution and Table E 15 provides a projection of the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL and the Funded Ratio throughout the life of the Statutory Funding Plan. These projections are forward looking statements regarding future events and are based on the actuarial assumptions contained in the Statutory Funding Plan and assumptions made regarding such future events, including the assumption that all projected contributions to the Retirement Systems are made as required. No assurance can be given that the assumptions underlying these projections will reflect actual experience of the Retirement Systems. In the event that the Retirement Systems’ experience is different from these assumptions, no assurance can be given that such experience will not cause material changes to the data presented in this table. Specifically, as described in “ACTUARIAL ASSUMPTIONS—General” above, recent actuarial assumption changes by TRS and SERS combined with investment returns significantly lower than assumed for the Retirement Systems for the fiscal year ended June 30, 2017, will increase the State’s contribution to the Retirement Systems in future years. Public Act 100-23 required the Retirement Systems to re-certify the State’s Fiscal Year 2018 contribution taking into account the changes made in such legislation. As re-certified, the amount of the Fiscal Year 2018 contribution is \$7,911 million, which is a \$909 million decline from the preliminary aggregate certified contribution for Fiscal Year 2018, but is, in the aggregate, \$231 million more than the certified contribution for Fiscal Year 2017. See “—2017 LEGISLATION MODIFYING PENSION STRUCTURE” herein. The changes in the State’s contribution due to the phase-in of the effect of such changes in assumptions, as well as changes in the actuarial assumptions made by certain of the Retirement Systems for the fiscal year ended June 30, 2018, are not reflected in Tables E-14 or E-15.

TABLE E 14 PROJECTED REQUIRED ANNUAL STATUTORY CONTRIBUTIONS TO THE RETIREMENT SYSTEMS

Fiscal Year	Projected Required Annual Statutory Contributions⁽¹⁾
2018	\$ 7,911
2019	8,450
2020	9,011
2025	10,529
2030	11,937
2035	14,664
2040	16,910
2045	19,379

Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2017, except that the fiscal year 2018 contribution represents the total contribution recertified by the Retirement Systems pursuant to Public Act 100-23. Fiscal year 2019 figures (and projected numbers) do not reflect the pension buyout impact.

(1) Dollars in millions. Excludes, with respect to TRS and SURS, contributions from trust funds and federal funds and, with respect to TRS, minimum retirement allowances.

TABLE E 15 PROJECTION OF FUTURE RETIREMENT SYSTEMS FUNDING STATUS

Fiscal Year	Actuarial Value of Assets⁽²⁾	Actuarial Accrued Liability	Unfunded Accrued Actuarial Liabilities (UAAL)	Funded Ratio
	(a)	(b)	(b-a)	(a/b)
2018	\$ 89,476.52	\$221,186.51	\$131,709.99	40.45%
2019	92,459.13	227,848.65	135,389.53	40.58%
2020	96,325.61	234,430.58	138,104.97	41.09%
2025	120,723.68	265,443.37	144,719.69	45.48%
2030	145,681.25	291,328.17	145,646.92	50.01%
2035	176,735.41	310,175.59	133,440.18	56.98%
2040	222,966.09	321,225.45	98,259.35	69.41%
2045	294,134.93	326,816.39	32,681.47	90.00%

Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2017.

(1) Dollars in millions.

(2) Measured in accordance with the Asset Smoothing Method. See discussion of the Asset Smoothing Method under “ACTUARIAL METHODS—Actuarial Value of Assets.”

2010 LEGISLATION MODIFYING PENSION STRUCTURE

The State has not provided significant benefit enhancements for Retirement System members since 2003.

On March 24, 2010, the General Assembly enacted Public Act 96 0889 (“PA 96 889”). PA 96 889 provided for significant reforms to the Retirement Systems, most notably by establishing a “two tier” pension system expected to reduce pension payments for employees who become members of the Retirement Systems after January 1, 2011 (“Tier Two Employees”), as compared to those provided to State employees who commenced employment prior to January 1, 2011 (“Tier One Employees”). PA 96 889 did not impact persons that first became members or participants prior to its effective date of January 1, 2011. An additional tier of employees, hereinafter defined as Tier Three Employees, was created by Public Act 100-23. See “—2017 LEGISLATION MODIFYING PENSION STRUCTURE” herein.

Taken independently of other legislative or market effects, the reduced benefits afforded new hires by PA 96 889 are expected to reduce the growth in the Actuarial Accrued Liability, the UAAL and the Required Annual Statutory Contribution. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As a greater percentage of the State’s workforce is covered by PA 96 889, the value of future benefits is expected to decrease and the Actuarial Accrued Liability is expected to decrease. Consequently, the UAAL is expected to decrease and the Funded Ratio to increase. As the growth in the UAAL slows, the Required Annual Statutory Contribution is expected to decline as the amount of UAAL to be amortized decreases.

Because the actuarial calculations look to the future to determine the amount of assets and liabilities that will accumulate over time, the reduction in future benefits under PA 96 889 caused an immediate reduction in the State’s required contribution to the Retirement System for Fiscal Year 2011 under the current Statutory Funding Plan after recertification pursuant to Public Act 96 1497. In the long term, this decrease in future benefits is expected to reduce the sum of contributions required to reach the applicable statutorily required target Funded Ratio because the State’s liability for benefits is expected to decrease as a greater number of employees earn lower benefits, assuming a relatively static pool of employees. In the short term, however, these decreased contributions are expected to have the effect of increasing the UAAL because the majority of employees earning benefits in the short term will earn those benefits under the provisions of the former plan. Therefore, although the cost of benefits will not change dramatically until a large portion of employees are covered by the new benefits, in the short term the amount of the Required Annual Statutory Contribution will decrease, increasing the UAAL and decreasing the Funded Ratio. The Retirement Systems currently project that the number of Tier Two Employees will exceed the number of Tier One

Employees beginning in the fiscal years as follows: (i) for TRS, Fiscal Year 2024; (ii) for SERS, Fiscal Year 2022; (iii) for SURS, Fiscal Year 2027; (iv) for GARS, Fiscal Year 2019; and (v) for JRS, Fiscal Year 2020.

2013 LEGISLATION MODIFYING PENSION STRUCTURE

PA 98 0599 was signed into law on December 5, 2013 and provided for changes to funding levels, automatic annual increases, retirement ages and employee contributions for TRS, SERS, SURS and GARS. PA 98 0599 was scheduled to take effect on June 1, 2014. However, PA 98 0599 was declared unconstitutional and void in its entirety by the Illinois Supreme Court on May 8, 2015. The State did not file an appeal to the U.S. Supreme Court with respect to the Illinois Supreme Court's determination regarding the constitutionality of PA 98 0599

2017 LEGISLATION MODIFYING PENSION STRUCTURE

Public Act 100-23, which became effective on July 6, 2017, includes several reforms to the Retirement Systems. Specifically, Public Act 100-23: (i) establishes a new benefit plan for Tier Three Employees (as hereinafter defined), (ii) shifts certain pension costs to local employers participating in a Retirement System, and (iii) smooths changes in the State's contributions to the Retirement Systems resulting from changes in actuarial assumptions by the Retirement Systems.

Creation of Tier 3. With respect to TRS, SURS and SERS, Public Act 100-23 creates an additional tier ("Tier 3") of benefits and related contributions. Employees ("Tier Three Employees") will join Tier 3 either by (1) being a new employee who elects to receive Tier 3 benefits or (2) being an existing Tier 2 employee who elects to receive Tier 3 benefits. Employees may join Tier 3 once their respective Retirement System implements the plan.

The Tier 3 plan will offer a combination of a defined benefit and defined contribution plan. The defined benefit portion of Tier 3 includes the following provisions:

- A pensionable salary cap indexed to the social security wage base (currently \$128,700);
- A cost of living adjustment equal to ½ of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not compounded;
- A normal retirement age indexed to social security (currently age 67);
- A final average salary equal to the average salary over the last ten years of an employee's service with the retirement annuity calculated by multiplying each year of service by the final average salary multiplied by 1.25%.

Once implemented, local employers and employees will assume the normal cost for the defined benefit costs for Tier Three Employees. Employees will contribute the lesser of the Normal Cost or 6.2% of salary for the defined benefit portion. Employers of employees who elect to participate in Tier 3 are to contribute (i) with respect to TRS and SURS employers only, the employer normal cost, plus an amount necessary to reduce the UAAL over a 30-year open amortization period, and (ii) beginning in Fiscal Year 2021, an additional 2% of the total payroll of each employee participating in Tier 3. In addition, employers of employees who elect to participate in Tier 2 in lieu of Tier 3 are to contribute (i) with respect to SURS employers only, the employer normal cost, plus an amount necessary to reduce the UAAL over a 30-year open amortization period, and (ii) beginning in Fiscal Year 2021, an additional 2% of the total payroll of each employee participating in Tier 2 in lieu of Tier 3.

In addition to the defined benefit, Tier Three Employees will have a defined contribution plan. The defined contribution will consist of funds invested in an individual account for each employee. Employees must contribute a minimum of 4% of salary to the defined contribution portion of the Tier 3 plan. Employers must contribute no less than 2%, but no more than 6% of salary for each employee with at least one year of service with that employer.

Tier 3 does not apply to employees participating in GARS or JRS, and only applies to State employees not participating in the federal social security program, with the exception of a small number of SURS employees which will participate in social security in addition to Tier 3.

Public Act 100-23 does not provide for immediate enactment of the Tier 3 plan, though it states that the respective Boards of Trustees of the Retirement Systems should implement the Tier 3 plan as soon as possible. Prior to implementation, each Retirement System must create and establish the Tier 3 plan, and such plan must be approved by the Internal Revenue Service. On and after the respective date of implementation for each Retirement System, all new participants in such Retirement System will be Tier Three Employees. Employees hired after the implementation of the combination Tier 3 plan will have the option to irrevocably elect to receive Tier 2 benefits and, with respect to SURS, the Self-Managed Plan. In addition, Tier Two Employees hired prior to the implementation of the Tier 3 plan will be provided the opportunity to irrevocably elect to become Tier Three Employees under Public Act 100-23. The Tier 3 plan was not implemented during Fiscal Year 2018. Legislation has been introduced into the General Assembly which certain of the Retirement Systems believe is necessary to implement the provisions of Public Act 100-23. Such legislation has not been adopted as of the date hereof, and the Retirement Systems expect that the Tier 3 plan will not be implemented until such legislation, or similar legislation, is adopted.

TRS, SURS and SERS are currently analyzing the long-term impact that Tier 3 will have on their respective financial positions. The State makes no prediction as to the impact such reform will have on the Retirement Systems or the State's contributions to TRS, SURS and SERS going forward.

Shift of Certain Pension Costs to Local Employers. With respect to TRS and SURS, Public Act 100-23 provides that the individual school districts, universities and community colleges whose employees participate in such Retirement Systems will assume certain costs of benefits upon implementation of the Tier 3 plan. On and after the Tier 3 implementation, local employers will assume the normal costs and future unfunded liabilities for Tier Three Employees and Tier Two Employees who elect to become Tier Three Employees, and new Tier Two Employees. Beginning in Fiscal Year 2021, such employers will also be responsible for paying to the applicable Retirement System 2% of the total payroll of each employee participating in Tier 3, as well as each employee participating in Tier 2 in lieu of Tier 3.

In addition, Public Act 100-23 requires individual school districts, universities and community colleges to assume the Normal Cost of benefits with respect to all employees whose salaries exceed the Governor's salary to the extent such employee's salary exceeds the Governor's salary.

Smoothing of State Contributions. Public Act 100-23 provides that, beginning in Fiscal Year 2018, the State's contributions to the Retirement Systems will be calculated such that any changes in the State's contributions to any Retirement System caused by a change in the actuarial assumptions employed by such Retirement System in preparing its Actuarial Valuation will be recognized equally over a five-year period ("Contribution Smoothing"). Furthermore, Public Act 100-23 provides that Contribution Smoothing will be retroactively applied to changes in actuarial assumptions which first applied to State contributions during Fiscal Years 2014 through 2017.

As a result of the adoption of Public Act 100-23, the Retirement Systems re-certified the State's contribution to the Retirement Systems for Fiscal Year 2018. As a result of such recertification, the State's contribution for Fiscal Year 2018 declined from \$8,820 million to \$7,911 million, a reduction of approximately \$909 million. Such reduction in the State contribution was due primarily to the Contribution Smoothing and also to the shift to local school districts, universities and community colleges of the cost of benefits attributable to the portion of employee salaries in excess of the Governor's salary.

The reforms in Public Act 100-23 are expected to reduce the State's UAAL over time. The State's UAAL, as modified by the provisions of Public Act 100-23, has not yet been recalculated by the Retirement Systems and, as such, the State is unable to provide any information regarding revisions to the UAAL as a result of Public Act 100-23, if any, at this time.

ACCELERATED PENSION BENEFIT PAYMENT PROGRAM AND OTHER PROVISIONS UNDER PUBLIC ACT 100-0587

Public Act 100-0587, which became effective on June 4, 2018 ("P.A. 100-587"), establishes two programs pursuant to which eligible members of the Retirement Systems may forego certain benefits to which they are entitled under the Pension Code in exchange for a payment from the State. The first program, which is available to Tier 1 and Tier 2 members of the TRS, SURS and SERS meeting certain eligibility requirements set forth in P.A. 100-587,

provides that an eligible member may forfeit rights to future benefit payments in exchange for an accelerated pension benefit payment equal to 60% of the present value of the pension benefit to which the member is entitled (the “*Pension Buyout Program*”). The second program, which is available only to Tier 1 members of TRS, SURS and SERS meeting certain eligibility requirements set forth in P.A. 100-587, provides that an eligible member may forfeit the 3%, compounded automatic annual increase (“*AAI*”) in exchange for (i) a 1.5% non-compounded AAI and an accelerated pension benefit payment from the State equal to 70% of the difference in the present value of such AAIs (the “*AAI Reduction Program*” and, together with the Pension Buyout Program, the “*Programs*”). The AAI on a retirement annuity will also be delayed until the later of age 67 or 1 year after retirement, and the AAI on a survivor’s annuity will be delayed until one year after the commencement of a survivor’s annuity.

Each of the Programs has separate eligibility rules. To be eligible for the Pension Buyout Program, a member must (i) have terminated service, (ii) have accrued sufficient service credit to be eligible to receive a retirement annuity under the applicable article of the Pension Code, and (iii) not have received any retirement annuity under the applicable article of the Pension Code. To be eligible for the AAI Reduction Program, a member must (i) submit an application for a retirement annuity under the applicable article of the Pension Code, (ii) meet the age and service requirements for receiving a retirement annuity under the applicable article of the Pension Code and (iii) not have received any retirement annuity under the applicable article of the Pension Code. In addition, eligible members may participate in only one of the Programs.

With respect to the Pension Buyout Program, P.A. 100-587 provides that eligible members may make the election to participate in such program until June 30, 2021. Such election may be made only after such member has requested a determination by the applicable Retirement System of the amount of the accelerated pension benefit payment offered pursuant to the Pension Buyout Program.

With respect to the AAI Reduction Program, P.A. 100-587 directs each of the applicable Retirement Systems to implement the AAI Reduction Program. Upon the request of an eligible member, the applicable Retirement System will calculate the accelerated pension benefit payment and will offer such payment to the eligible member. Eligible members will then have the opportunity to irrevocably elect to participate in the AAI Reduction Program until June 30, 2021. Such election must be made prior to the eligible member receiving the first payment of a retirement annuity otherwise payable under the applicable article of the Pension Code.

P.A. 100-587 provides that, upon receipt by a Retirement System of an election by an eligible member to participate in either of the Programs, such Retirement System will submit a voucher to the Comptroller for payment of the applicable accelerated pension benefit payment. To finance the costs of the Programs, P.A. 100-587 authorizes the issuance of the Section 7.7 Bonds (as defined in the Official Statement) in the amount of \$1,000,000,000. The proceeds of the Section 7.7 Bonds would be used to make the accelerated pension benefit payments as described in this Section.

The State expects that the Programs will, taken independently of other factors, cause a reduction in the UAAL of the applicable Retirement Systems, however, the State is unable to quantify the amount or timing of any such reduction at this time. The State provides no assurance as to whether the Programs will be implemented or the degree to which members choose to participate in the Programs. Any reduction in the UAAL is dependent on the implementation of, participation by members in and funding of the Programs.

In addition, P.A. 100-587 lowers the threshold from 6% to 3% on the annual salary increase for active TRS and SURS members above which the employing entity, rather than the State, is responsible for paying the present value of additional retirement benefits. This provision shifts TRS and SURS retirement contributions to non-State entities but does not reduce future liabilities of such Retirement Systems.

FUTURE PENSION REFORM PROPOSALS

Various proposals for reform of the Pension Code provisions related to the Retirement Systems have been introduced and are pending in the Illinois General Assembly. The Governor advanced a pension reform proposal which was described in the Fiscal Year 2019 Budget Book. See APPENDIX F—WEBSITE INDEX for a link to the Fiscal Year 2019 Budget Book. Such pension reform proposals were not included in the Fiscal Year 2019 enacted budget. The State can give no assurance as to whether any the remaining proposals, or any proposals to be

introduced in the future, will be enacted into law and, if so enacted, the effect such proposals may have on the Retirement Systems or the State's future contributions to the Retirement Systems.

RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS

State Actuary's Fiscal Year 2017 Report

By January 1 of each year, the State Actuary is required to issue a preliminary report providing a review of the actuarial assumptions used by the Retirement Systems in preparing their proposed certification of the amount necessary to pay the Required Annual Statutory Contribution. The position of State Actuary is within the Office of the Auditor General and responsible for reviewing actuarial practices, assumptions, and valuations of the actuaries of the Retirement Systems. The State Actuary's Fiscal Year 2017 report on the actuarial assumptions and valuations of the Retirement Systems is available on the State Auditor General's website. See APPENDIX F—WEBSITE INDEX. The assumptions contained in the 2017 Actuarial Valuation reports of the Retirement Systems were determined to be generally reasonable by the State Actuary, and the State Actuary did not recommend any changes to these assumptions. However, recommendations were made for additional disclosure to the 2017 Actuarial Valuations, for changes to the formula for funding the Retirement Systems set forth in the Pension Code to fully fund future plan benefit accruals, for the Retirement Systems set forth in the Pension Code to include stress tests in the Actuarial Valuations, for the conduct of periodic, independent, actuarial audits by SERS, JRS, and GARS, and for each of the Retirement Systems, with the exception of TRS, to review the manner in which such Retirement Systems phase-in changes in assumption as a result of Public Act 100-23 or demonstrate with additional disclosures that such methods currently used to phase-in such changes produces the result intended by Public Act 100-23. The Board of each Retirement System must consider all recommendations of the State Actuary; however, no assurance can be given that any recommendations will be adopted. The responses of each System to the recommendations of the State Actuary are contained in Appendix C of the aforementioned report.

Report of the Commission on Government Forecasting and Accountability

The Commission on Government Forecasting and Accountability ("COGFA") prepared a report dated March 2018, on the financial condition of the Retirement Systems as of June 30, 2017 (the "COGFA Report"). COGFA is a bipartisan and bi cameral legislative commission whose purpose is to provide the General Assembly with information relevant to the State economy, taxes, and other sources of revenue and debt obligations of the State. Among COGFA's list of specific responsibilities is to make an annual estimate of public pension funding requirements and to prepare pension impact notes. Furthermore, COGFA has a mandate to report to the General Assembly on economic trends in relation to long range planning and budgeting and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as the same may affect the State. As a result of these responsibilities, COGFA issues several reports on an annual basis, including the COGFA Report, which provides an overview of the financial condition of the Retirement Systems.

The COGFA Report provides significant information on the funded status of the Retirement Systems, historical and projected information with respect to each of the Retirement Systems and an exhaustive history of pension legislation. COGFA does not make findings in the COGFA Report. The COGFA Report is available from COGFA's website listed in APPENDIX F—WEBSITE INDEX. The State makes no representations nor expresses any opinion on the COGFA Report.

SEC ORDER

The State was originally contacted in September 2010 by the Securities and Exchange Commission (the "SEC") regarding a non-public inquiry into communications by the State relating to the financial effects of PA 96 889 on Illinois public pensions, including communications relating to the potential savings or reductions in contributions by the State to the Illinois public pensions. The SEC inquiry ultimately turned to disclosures relating to the Statutory Funding Plan.

On March 11, 2013, the SEC instituted administrative proceedings and imposed a cease and desist order (the "Order"). The Order can be found on the Electronic Municipal Market Access website. See APPENDIX F—"WEBSITE INDEX" herein. In its Order, the SEC found that, between 2005 and March 2009, the State acted

negligently and (i) misled bond investors by omitting to disclose information about the adequacy of the Statutory Funding Plan and the risks created by the State's structural underfunding of its pension obligations, (ii) misled bond investors about the effect of changes to the Statutory Funding Plan, including the State's failure to make the full pension contributions in 2006 and 2007 and (iii) omitted material information which rendered certain statements misleading to bond investors regarding the State's ability to fund its pension obligations or the impact of the State's pension obligations on the State's financial condition. In agreeing to the Order, the State did not admit or deny the SEC's findings in the Order. Under the terms of the Order, the State was not required to pay any civil fines or penalties, and the SEC noted that it considered the State's cooperation during the inquiry as well as the remedial measures instituted by the State to ensure compliance with its disclosure obligations under the federal securities laws, as described in the Order.

Prior to the SEC inquiry and in response to statements made by the SEC in an enforcement action against the State of New Jersey (SEC Rel. No. 9135, August 18, 2010), the State engaged outside counsel to assist the State in reviewing the enforcement action against New Jersey, to update certain of the information contained in this Appendix and to draft the disclosure policies and procedures set forth in the following subsection. The State has continued to engage Disclosure Counsel to assist the State in updating the information contained in this Appendix and to implement the disclosure policies and procedures set forth in the following subsection.

PENSION DISCLOSURE POLICIES AND PROCEDURES

The State has reviewed, evaluated, and enhanced its pension disclosure process by instituting formal, written policies and procedures. The State's written policies and procedures, among other things, established a committee within the GOMB consisting of GOMB employees (the "Disclosure Committee") to oversee the pension disclosure process. The GOMB Director of Capital Markets serves as chairperson of the Disclosure Committee, and the General Counsel of the GOMB serves as an ex officio member. The Disclosure Committee has primary responsibility for drafting, editing and updating the State's pension disclosure. Prior to release of the pension disclosure in an official statement or at the time of an update as mandated in the policies and procedures, the pension disclosure is submitted to the Retirement Systems, COGFA, the Office of the Comptroller and the Office of the Attorney General for their review and comment.

In addition, the State has implemented an annual mandatory training program for the Disclosure Committee and the other GOMB employees involved in the disclosure process. The training is intended to ensure compliance with the State's disclosure obligations under the federal securities laws.

OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The State Employees Group Insurance Act of 1971 ("Group Insurance Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State and State university component unit employees become eligible for these other postemployment benefits ("OPEB") if they become annuitants of one of the State sponsored pension plans. The Department of Central Management Services ("CMS") administers these benefits for annuitants with the assistance of the Retirement Systems. The portions of the Group Insurance Act related to OPEB established a cost sharing multiple employer defined benefit OPEB plan with a special funding situation for employees of the State's component unit universities.

FUNDING POLICY AND ANNUAL OPEB COST

The State contributes toward the cost of an annuitant's coverage under the basic program of group health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. The amount the State contributes is determined from negotiations with the collective bargaining units within the various Retirement Systems. Therefore, the benefits provided and contribution amounts are subject to periodic changes.

The State is not required to fund the plan other than the pay as you go amount necessary to provide the current benefits to retirees. However, the appropriated amount has been insufficient in recent years resulting in a backlog of reimbursements to health care providers and retirees.

The State's Annual OPEB Cost is calculated pursuant to GASB Statement No. 45 ("GASB 45"). GASB 45 funding requirements differ significantly from the pay as you go funding method used by the State to make contributions to the plan. Therefore, the actual contributions made by the State to the plan differ from the Actuarially Required Contribution and the Annual OPEB Cost. The State's Annual OPEB Cost for the prior year and related information is included in Tables E 16, E 17 and E 18.

TABLE E 16
NET OTHER POST EMPLOYMENT BENEFITS
OBLIGATION FISCAL YEAR 2017
(\$ IN MILLIONS)

Actuarially Required Contribution (Net of ARC adjustments)	\$ 2,592
Plus: Interest on Net OPEB Obligations	533
Adjustment to ARC	(507)
Annual OPEB Cost	<u>\$ 2,617</u>
Benefits paid during the year	<u>(337)</u>
Increase in Net OPEB Obligations	\$ 2,281
Net OPEB Obligations at June 30, 2016	<u>14,204</u>
Net OPEB Obligations at June 30, 2017	<u><u>\$16,485</u></u>

Source: The CAFR.

TABLE E 17
OTHER POST EMPLOYMENT BENEFITS – FISCAL YEARS 2013 2017
(\$ IN MILLIONS)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual Required Contribution ¹	\$2,378	\$2,344	\$2,292	\$2,415	\$2,617
Benefits paid during the year	625	905	810	185	337
Increase in Net OPEB Obligations	<u>1,753</u>	<u>1,439</u>	<u>1,482</u>	<u>2,230</u>	<u>2,280</u>
Net OPEB Obligations Balance	<u><u>9,053</u></u>	<u><u>10,492</u></u>	<u><u>11,975</u></u>	<u><u>14,204</u></u>	<u><u>16,485</u></u>

Source: Illinois State Employment Group Insurance Program GASB No. 45 Actuarial Valuation Report and the CAFR.

¹ The Annual Required Contribution numbers include interest on Net OPEB Obligations and adjustments to the Annual Required Contributions.

GASB Statement No. 45 requires the calculation of the OPEB Actuarial Accrued Liability ("AAL") which is the actuarial present value of future plan benefits earned as of the valuation date. The AAL was \$38,138 million at the end of Fiscal Year 2016. The AAL has not been calculated for Fiscal Year 2017. The OPEB Actuarially Required Contribution ("ARC") is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded AAL over the amortization period of thirty years.

The State will adopt GASB Statement No. 75 ("GASB 75") beginning with the Fiscal Year ending June 30, 2018. GASB 75 reforms the manner in which OPEB is accounted for and presented in the financial statements of an employer, such as the State. The State expects that the adoption of GASB 75 will result in changes to the presentation of the State's OPEB liability, as set forth herein, and will also result in changes to the amount recognized by the State as a liability with respect to OPEB in the State's CAFR beginning with the Fiscal Year ending June 30, 2018.

TABLE E 18
OTHER POST EMPLOYMENT BENEFITS UNFUNDED
ACTUARIAL ACCRUED LIABILITY – FISCAL YEARS 2012 2016
(\$ IN MILLIONS)

	2012*	2013	2014	2015**	2016
Unfunded Actuarial Accrued Liability	\$35,200	\$34,488	\$33,051	\$34,766	\$38,138

Source: Illinois State Employment Group Insurance Program GASB No. 45 Actuarial Valuation Report and the CAFR.

Note: The GASB No. 45 Actuarial Valuation Report is produced biennially, however, beginning in Fiscal Year 2015, the report is produced as of June 30 of the previous fiscal year.

* Estimation in the succeeding year's report.

** Estimation in the preceding year's report.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F
WEBSITE INDEX

Organization or Department	Website Address	Description of Website
State of Illinois	http://www.illinois.gov/	Lead portal for all State information
Governor's Office of Management and Budget	http://www.illinois.gov/gov/budget/ https://www2.illinois.gov/sites/budget/Pages/PolicyReports.aspx	Lead portal for operating budgets, economic and fiscal reports and three year projections and quarterly reports
Fiscal Year 2019 Budget Book	https://www2.illinois.gov/sites/budget/Documents/Budget%20Book/FY%202019/Fiscal-Year-2019-Operating-Budget-Book.pdf	Link to the Governor's Budget Book
State of Illinois Capital Markets	http://www.illinois.gov/gov/budget/capitalmarkets/Pages/default.aspx	Lead portal to the State of Illinois Capital Markets
Illinois Administrative Code	http://www.ilga.gov/commission/jcar/admincode/080/08002200sections.html	Link to Illinois General Assembly's Administrative Code database - CMS State Employees Group Insurance Program Retiree Premium Contributions
Comptroller	http://www.illinoiscomptroller.gov/	Lead portal for all Comptroller based information
Comptroller (CAFR)	https://illinoiscomptroller.gov/financial-data/find-a-report/comprehensive-reporting/comprehensive-annual-financial-report-cafr/	Link to CAFR Library
Comptroller, Traditional Budgetary Financial Report	https://illinoiscomptroller.gov/financial-data/find-a-report/budgetary-reporting/traditional-budgetary-financial-report/	Link to the Traditional Budgetary Financial Report
General Assembly	http://www.ilga.gov/	Lead portal to the Illinois General Assembly
Auditor General	http://www.auditor.illinois.gov/	Lead portal to the Auditor General
College Illinois	http://www.isac.org/about-isac/financial-information.html	Link to the College Illinois actuarial report
Tax Handbook	http://www.ilga.gov/commission/lru/2018TaxHandbook.pdf	Legislative Research Unit handbook on all Illinois taxes
Illinois Department of Revenue	http://iltax.org/	Lead portal to the Department of Revenue
Retirement Systems:		
TRs	http://trsil.org/	Lead portal to Teachers' Retirement System
SURS	http://www.surs.org/	Lead portal to State Universities Retirement System
SERS	http://www.srs.illinois.gov/sers/home_sers.htm	Lead portal to State Employees' Retirement System
JRS	http://www.srs.illinois.gov/Judges/home_jrs.htm	Lead portal to Judges' Retirement System
GARS	http://www.srs.illinois.gov/gars/home_gars.htm	Lead portal to General Assembly Retirement System
Commission on Government Forecasting and Accountability	http://cgfa.ilga.gov/	Lead portal to COGFA, contains its report on the financial condition of the Retirement Systems
Illinois State Board of Investment	http://www.isbinvestment.com	Lead portal to the Illinois State Board of Investment
Illinois Department of Central Management Services	http://www.cms.illinois.gov/	Lead portal to the Illinois Department of Central Management Services
State Actuary Report	http://www.auditor.illinois.gov/Other-Public-Documents/State-Actuary-Reports.asp	Link to the Auditor General's State Actuary Reports
Electronic Municipal Market Access	http://emma.msrb.org/	Lead portal to MSRB's EMMA

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

GLOBAL BOOK-ENTRY SYSTEM

The Series of October 2018 Bonds will be available only in book-entry form. DTC will act as the initial securities depository for the Series of October 2018 Bonds. The Series of October 2018 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 or more fully-registered bond certificates will be issued for each series of the Series of October 2018 Bonds of each maturity, in the aggregate principal amount thereof, and will be deposited with DTC.

THE STATE, THE TRUSTEE AND THE PURCHASER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES OF OCTOBER 2018 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES OF OCTOBER 2018 BONDS, (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES OF OCTOBER 2018 BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES OF OCTOBER 2018 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE STATE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OF DTC, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES OF OCTOBER 2018 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE BOND SALE ORDER; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES OF OCTOBER 2018 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES OF OCTOBER 2018 BONDS.

PORTIONS OF THE INFORMATION BELOW CONCERNING DTC, AND DTC'S BOOK-ENTRY SYSTEM ARE BASED ON INFORMATION FURNISHED BY DTC TO THE STATE. NO REPRESENTATION IS MADE HEREIN BY THE STATE, THE TRUSTEE OR THE PURCHASER AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF SUCH INFORMATION, OR AS TO THE ABSENCE OF MATERIAL ADVERSE, CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

DTC will act as securities depository for the Series of October 2018 Bonds. The Series of October 2018 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series of October 2018 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.6 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 is rated “AA+” by S&P. The DTC Rules applicable to its Participants are on file with the Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series of October 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series of October 2018 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series of October 2018 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 Series of October 2018 Bonds, except in the event that use of the book-entry system for the Series of October 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series of October 2018 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 Series of October 2018 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 Series of October 2018 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series of October 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series of October 2018 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series of October 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series of October 2018 Bonds may wish to ascertain that the nominee holding the Series of October 2018 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series of October 2018 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series of October 2018 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 State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series of October 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series of October 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detailed information from the State or Trustee, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or 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.

DTC may discontinue providing its services as securities depository with respect to the Series of October 2018 Bonds at any time by giving reasonable notice to the State or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but neither of the State nor the Trustee takes any responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

FORM OF CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (B)(5) OF RULE 15C2-12

This Continuing Disclosure Undertaking (this “*Agreement*”) is executed and delivered by the State of Illinois (the “*State*”), in connection with the issuance of its \$_____ Build Illinois Bonds (Sales Tax Revenue Bonds), Series of October 2018 (the “*Bonds*”). The Bonds are being issued under and pursuant to “An Act to create the Build Illinois Bond Act and creating and amending various Acts in relation thereto”, as amended (30 ILCS 425/1 *et seq.*) (the “*Act*”), and pursuant to the Master Trust Indenture entered into by and between the State and U.S. Bank National Association, Chicago, Illinois as trustee (the “*Trustee*”) dated as of September 15, 1985, as amended and supplemented to date (the “*Master Indenture*”), and the Fifty-Sixth Supplemental Indenture, dated as of October 1, 2018, by and between the State and the Trustee with respect to the Tax-Exempt Series A of October 2018 Bonds (the “*Fifty-Sixth Supplemental Indenture*”); the Fifty-Seventh Supplemental Indenture, dated as of October 1, 2018, by and between the State and the Trustee with respect to the Tax-Exempt Series B of October 2018 Bonds (the “*Fifty-Seventh Supplemental Indenture*”); and the Fifty-Eighth Supplemental Indenture, dated as of October 1, 2018, by and between the State and the Trustee with respect to the Taxable Series C of October 2018 Bonds (the “*Fifty-Eighth Supplemental Indenture*”). The Master Indenture, the Fifty-Sixth Supplemental Indenture, the Fifty-Seventh Supplemental Indenture and the Fifty-Eighth Supplemental Indenture, are herein collectively called the “*Indenture.*” The Bonds are authorized by the Act and the Indenture to be issued by the State for the Build Illinois program. The Bonds shall be payable as provided in the Act, the Indenture and the Bond Sale Orders with respect to the Bonds approved on _____, 2018 (the “*Bond Order*”) on behalf of the State by the Governor of the State and the Director of the Governor’s Office of Management and Budget of the State.

In consideration of the issuance of the Bonds by the State and the purchase of such Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the Comprehensive Annual Financial Report of the State (“*CAFR*”) as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the State and which has filed with the State a written acceptance of such designation, and such agent’s successors and assigns.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

Exchange Act means the Securities Exchange Act of 1934, as amended.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the Final Official Statement, dated _____, 2018, and relating to the Bonds.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Reportable Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

Reportable Events Disclosure means dissemination of a notice of a Reportable Event as set forth in Section 5.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

Undertaking means the obligations of the State pursuant to Sections 4 and 5.

3. CUSIP NUMBERS. The CUSIP Numbers of the Bonds are set forth in *Exhibit III*. The State will include the CUSIP Numbers in all disclosure materials described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. References to "material" in *Exhibit II* refer to materiality as it is interpreted under the Exchange Act. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Bond Order.

6. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default under the Bond Order, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the State

by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the State, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the State (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the State shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Order. The State shall give notice to EMMA in a timely manner if this Section is applicable.

9. DISSEMINATION AGENT. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. RECORDKEEPING. The State shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. The State shall not transfer its obligations under the Bond Order unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

STATE OF ILLINOIS

By:

Its: Director
Governor’s Office of Management and Budget
Name: Hans Zigmund
Address: 100 W. Randolph, 15th Floor
Chicago, Illinois 60601

Date: __, 2018

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED
FINANCIAL STATEMENTS

Annual Financial Information: financial information and operating data including information of the type contained in the Official Statement as follows: Sales tax information of the type contained therein in the tables entitled “State Share of Sales Tax Revenues” and “Monthly State Share of Sales Tax Revenues”.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The State shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 330 days after the last day of the State’s fiscal year (currently June 30).

Audited Financial Statements are created and published by the Office of the Illinois Comptroller in the form of the State’s Comprehensive Annual Financial Report (“CAFR”). Once available to the Governor’s Office of Management and Budget, a draft CAFR or final CAFR will be submitted to EMMA within 30 days. The CAFR will be prepared in conformity with generally accepted accounting principles applicable to state governments as prescribed by the General Accounting Standards Board.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

EXHIBIT II
EVENTS WITH RESPECT TO THE BONDS
FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, 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 security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the State*
13. The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, 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, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State 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 State, 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 State.

**EXHIBIT III
CUSIP NUMBERS**

TAX-EXEMPT SERIES A OF OCTOBER 2018 BONDS

YEAR OF MATURITY	CUSIP NUMBER
2019	452227
2020	452227
2021	452227
2022	452227
2023	452227
2024	452227
2025	452227
2026	452227
2027	452227
2028	452227
2029	452227
2030	452227
2031	452227
2032	452227
2033	452227
2034	452227

TAX-EXEMPT SERIES B OF OCTOBER 2018 BONDS

YEAR OF MATURITY	CUSIP NUMBER
2019	452227
2020	452227
2021	452227
2022	452227
2023	452227
2024	452227
2025	452227
2026	452227
2027	452227
2028	452227
2029	452227
2030	452227
2031	452227
2032	452227
2033	452227
2034	452227

TAXABLE SERIES C OF OCTOBER 2018 BONDS

YEAR OF MATURITY	CUSIP NUMBER
2019	452227
2020	452227
2021	452227
2022	452227
2023	452227
2024	452227
2025	452227
2026	452227
2027	452227
2028	452227

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture, to which reference is made for a complete statement of the provisions or contents thereof. Certain capitalized words and terms used in this summary are defined in the Indenture and shall have the same meanings herein as therein, except as otherwise defined in this Official Statement. Certain of such defined words and terms are set forth in APPENDIX C.

Source of Payment; Pledge of Revenues

The provisions of the Indenture constitute a contract among the State, the Trustee and the Bondholders. The Series of October 2018 Bonds are direct, limited obligations of the State payable solely from and secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Retirement and Interest Fund and certain other moneys and securities held by the Trustee under the provisions of the Indenture. The State has pledged the Revenues and all moneys and securities held or set aside or to be held or set aside by any Fiduciary under the Indenture to secure the payment of the principal of and premium, if any, and interest on the Series of October 2018 Bonds, such pledge constituting a first and prior claim against and charge on the Revenues and a first priority pledge of and lien on such other moneys and securities, subject only to the provisions of the Indenture requiring or permitting the payment, setting apart or application thereof for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Indenture. The Series of October 2018 Bonds are not general obligations of the State and are not secured by the full faith and credit of the State, and the holders of the Series of October 2018 Bonds may not require the levy or imposition of any taxes or the application of other State revenues or funds to the payment of the Series of October 2018 Bonds, except as specifically provided in the Act and Sections 6z-9 and 8.25 of the Finance Act with respect to the Revenues.

Additional Senior Bonds

The Indenture permits the issuance of additional Series of Bonds which may be (i) Senior Bonds or (ii) Junior Obligations on parity with the Series of October 2018 Bonds and other Outstanding Junior Bonds, provided that certain conditions precedent are satisfied, including receipt by the Trustee of the following:

- (a) a copy of a Bond Sale Order signed by the Director and approved by the Governor, (i) authorizing the execution and delivery of a Supplemental Indenture, (ii) stating the identity of the purchasers, aggregate purchase price and date and place of delivery of such Series, (iii) stating that no Event of Default has occurred and is continuing under the Indenture, (iv) specifying the uses to which the proceeds of the Bonds of such Series shall be applied, including Costs of Issuance, and (v) certifying that the Build Illinois Fund, the Build Illinois Bond Account and the Retirement and Interest Fund have been established in the State Treasury and are being maintained in full accordance with the provisions of the Act and the Finance Act;
- (b) a Counsel's Opinion to the effect that (i) the Indenture and such Supplemental Indenture have been duly and lawfully authorized and executed and are in full force and effect and are valid and binding upon the State, (ii) the Act, the Indenture and such Supplemental Indenture create the valid pledge of Revenues, moneys and securities which they purport to create, and (iii) upon the execution, authentication and delivery thereof, the Bonds of such Series will have been duly and validly authorized and issued in accordance with the Constitution and laws of the State and the Indenture;
- (c) an executed counterpart of the Supplemental Indenture; and
- (d) with respect to any proposed Series of Senior Bonds, a Certificate signed by the Director certifying that (i) the maximum Net Debt Service Requirement for Outstanding Senior Bonds of all Series and for the proposed Series for the current or any future Fiscal Year will not exceed 5 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year, and (ii) an amount at least equal to the Debt Service Reserve Fund Requirement, calculated immediately after the issuance of the proposed Series, will be on deposit

in the Debt Service Reserve Fund within 24 months after the date of issuance of such proposed Series. In calculating the Net Debt Service Requirement, interest on any Series of Variable Rate Senior Bonds is required to be included at the maximum rate permitted under the applicable Supplemental Indenture, less credits for the sum of (i) certain amounts on deposit in the applicable Variable Rate Interest Subaccount as provided in the applicable Supplemental Indenture, and (ii) amounts required to be deposited in the Variable Rate Interest Subaccount pursuant to agreements with Qualified Financial Institutions for the purpose of limiting interest rate risk, and (iii) beginning in Fiscal Year 1994, and while the amount on deposit in the Debt Service Reserve Fund is at least equal to the Debt Service Reserve Fund Requirement, additional amounts not to exceed 50 percent of the maximum rate permitted under the Supplemental Indenture.

The delivery of Bonds of any Series shall also be subject to the delivery to the Director, the Comptroller and the Treasurer of a Certificate signed by the Trustee, certifying (i) the Annual Debt Service or the Junior Annual Debt Service, as the case may be, for the Series of Bonds then being issued and the total Aggregate Debt Service and Junior Annual Debt Service on all then Outstanding Bonds payable on all future Payment Dates and (ii) the amount of principal of and interest and premium, if any, on all such Bonds payable on each future Payment Date.

The issuance of refunding Bonds of any Series shall be subject to the receipt by the Trustee of:

- (a) The documents referred to in paragraphs (a) through (d) above, provided that, with respect to a proposed Series of Senior Bonds, in lieu of the Certificate described in paragraph (d) above the State may deliver a Certificate certifying that the maximum Aggregate Debt Service for the then current or any future Fiscal Year shall not increase as a result of such issuance of refunding Bonds;
- (b) If a redemption of Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all the Bonds to be redeemed and the redemption date or dates, if any, upon which such Bonds are to be redeemed;
- (c) If a redemption of Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding 45 days, irrevocable instructions to the Trustee to give notice of redemption of such Bonds on a specified date prior to their redemption date; and
- (d) A certificate of an Independent Accountant stating that the amount of moneys and Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof deposited with the Trustee are sufficient to pay when due the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or dates or the date or dates of maturity thereof.

Additional Junior Obligations

The Indenture permits the issuance of additional Series of Junior Obligations on a parity with other Outstanding Junior Obligations including the Series of October 2018 Bonds provided that certain conditions in addition to the requirements for the issuance of Senior Bonds described above are satisfied, including receipt by the Trustee with respect to any Series of Junior Obligations proposed to be issued, other than a Series proposed to be issued as refunding Bonds, a Certificate signed by the Director certifying that, as of the time immediately following the issuance of such Series, the greatest amount of the aggregate of (A) the Net Debt Service Requirement for Outstanding Senior Bonds and (B) the Junior Annual Debt Service, for the then current or any future Fiscal Year, will not exceed 9.8% of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year. The issuance of refunding Junior Obligations on a parity with other Junior Obligations is permitted provided that certain conditions in addition to the requirements for the issuance of refunding Senior Bonds described above are satisfied, including receipt by the Trustee of either (1) the Certificate of the Director required for the issuance Junior Obligations for project purposes or (2) a Certificate of the Director, certifying that, as of the time immediately following the issuance of such Series, the greatest amount of the aggregate of (A) the Net Debt Service for Senior Bonds and (B) the Junior Annual Debt Service, for the then current or any future Fiscal Year, shall not increase as a result of the issuance of such Series.

Covenant Against Pledge of Revenues

The State has covenanted that it will not issue or authorize the issuance of any bonds, notes or other evidences of indebtedness secured by the pledge of Revenues contained in the Indenture, other than the Bonds, and that it will not create or cause to be created any pledge, lien or charge on Revenues or on any other amounts pledged for the benefit of owners of Bonds under the Indenture, other than the pledge of Revenues contained in the Indenture, provided, however, that the State may (a) issue or authorize the issuance of bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived after the pledge contained in the Indenture has been discharged or (b) issue or authorize the issuance of bonds, notes or other evidences of indebtedness which are payable out of, or secured by the pledge of, amounts which may be withdrawn from the General Reserve Fund so long as such pledge is expressly junior and subordinate to the pledge of Revenues contained in the Indenture.

Establishment of Funds and Accounts

The Indenture creates the following Funds and Accounts to be held and administered by the Trustee:

- (a) The Revenue Fund;
- (b) The Debt Service Fund and four separate Accounts therein to be known as the Capitalized Interest Account, the Interest Account, the Principal Account and the Variable Rate Account;
- (c) The Program Expense Fund;
- (d) The Debt Service Reserve Fund;
- (e) The Junior Obligation Debt Service Fund; and
- (f) The General Reserve Fund and a separate Account therein to be known as the Net Debt Service Account.

In addition, the State has established in the State Treasury and agrees to maintain in accordance with the requirements of the Act and the Finance Act, the Build Illinois Bond Fund, the Build Illinois Fund (including the Build Illinois Bond Account established therein), the Capital Projects Fund and the Retirement and Interest Fund.

The Trustee shall, at the written request of the State, establish additional Accounts and subaccounts for the purpose of identifying more precisely the sources of payments into and disbursements from such Funds, Accounts and subaccounts. Additional Accounts and subaccounts may also be created by any Supplemental Indenture.

Deposit of Revenues

All Revenues shall be promptly deposited by the State in Capital Projects Fund or the Build Illinois Fund as applicable, credited to the Build Illinois Bond Account, transferred to the Retirement and Interest Fund and paid to the Trustee for deposit in the Revenue Fund, all as provided in the Act and Sections 6z-9 and 8.25 of the Finance Act.

The State has covenanted that the Governor shall include in each annual State Budget and the General Assembly shall annually appropriate for each Fiscal Year the Required Bond Transfer from the Retirement and Interest Fund in an amount estimated to equal the greater of (a) the Certified Annual Debt Service Requirement for such Fiscal Year or (b) the Tax Act Amount for such Fiscal Year. For the purposes of implementing such appropriations and the transfers and payments required to be made to the Trustee, the Trustee shall deliver a Certificate to the Director, the Comptroller and the Treasurer on or before each June 20 so long as Bonds remain Outstanding, certifying the Certified Annual Debt Service Requirement for the next succeeding Fiscal Year. The Required Bond Transfer for each Fiscal Year shall be equal to the Certified Annual Debt Service Requirement as so certified in such Certificate unless the Tax Act Amount for such Fiscal Year shall be greater than such Certified Annual Debt Service Requirement, in which case the Required Bond Transfer for such Fiscal Year shall be equal to such Tax Act Amount; provided, however, that if Bonds are issued during any such Fiscal Year the Certified Annual

Debt Service Requirement for such Fiscal Year shall be increased to reflect the issuance of such Bonds to the extent such issuance was not reflected in the Certified Annual Debt Service Requirement previously certified for such Fiscal Year. The State has covenanted and agreed that in the event the Required Bond Transfer is not made for any Fiscal Year as required under the Indenture and the Act, the Act shall constitute an irrevocable and continuing appropriation of such Required Bond Transfer and the continuing, irrevocable authority for and direction to the Treasurer and the Comptroller to make the necessary transfers and deposits, as directed by the Governor, and to make the payments specified in Sections 6z-9 and 8.25 of the Finance Act and as provided in the Indenture.

The State has covenanted that the Treasurer and the Comptroller shall, on the last day of each month transfer from the Build Illinois Bond Account to the Retirement and Interest Fund and pay from such Fund to the Trustee for deposit in the Revenue Fund an amount equal to the greater of (a) 1/12th of 150 percent of the Certified Annual Debt Service Requirement or (b) the Tax Act Amount deposited in the Build Illinois Bond Account during such month, plus any cumulative deficiency in such transfers and payments for prior months; provided that all of such transfers and payments for any such Fiscal Year shall not exceed the greater of (a) the Certified Annual Debt Service Requirement or (b) the Tax Act Amount. See SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS” in this Official Statement.

Disbursements From Revenue Fund

On the first day of each month the Trustee shall make the following deposits from amounts on deposit in the Revenue Fund in the manner and order of priority set forth:

First: To the Debt Service Fund, an amount equal to 1/12th of 150 percent of the aggregate amount of Principal Installments and interest included in the Annual Debt Service for all Series of Senior Bonds for the then current Fiscal Year, such amounts to be allocated among the Interest Account, the Principal Account and the Variable Rate Account;

Second: To the Program Expense Fund, an amount equal to the amount, if any, required for Program Expenses;

Third: To the Debt Service Reserve Fund, the amount, if any, necessary to increase the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement;

Fourth: To the Junior Obligation Debt Service Fund, the amount, if any, equal to the amount required by any Supplemental Indentures or other instruments authorizing the issuance of Junior Obligations; and

Fifth: To the General Reserve Fund, the balance remaining.

Use of Funds

The moneys on deposit in the Funds and Accounts listed above shall be used for the purposes and uses specified as follows:

- (a) The moneys in the Interest Account shall be used only for the payment of the interest on Fixed Rate Senior Bonds. The moneys in the Principal Account shall be used only for the payment of Principal Installments on Fixed Rate Senior Bonds. Moneys on deposit in the Variable Rate Account and which have been credited to Variable Rate Interest Subaccounts and Variable Rate Principal Subaccounts therein as may have been created for the benefit of a Series of Variable Rate Senior Bonds shall be used for the purposes specified in the Supplemental Indenture creating such Series.
- (b) The moneys in the Program Expense Fund shall be used to pay Program Expenses as directed in Certificates filed by the Director with the Trustee.
- (c) The moneys in the Debt Service Reserve Fund shall be used for the payment of the interest and Principal Installments (other than Subordinated Interest or Subordinated Principal Installments) on Senior Bonds, whenever and to the extent moneys in the Interest Account, the Principal Account

and the Variable Rate Account, respectively, are insufficient therefor. At the direction of the State expressed in a Certificate of the Director filed with the Trustee, moneys in the Debt Service Reserve Fund may be withdrawn from the Debt Service Reserve Fund and deposited into the General Reserve Fund; provided, however, that immediately after such withdrawal, the amount of deposit in the Debt Service Reserve Fund equals or exceeds the Debt Service Reserve Fund Requirement.

- (d) The moneys in the Junior Obligation Debt Service Fund shall be transferred by the Trustee to the appropriate trustees or paying agents under the Supplemental Indenture or other instrument authorizing the issuance of Junior Obligations for the purpose of paying such amounts as may be required to be paid by such Supplemental Indenture or other instrument.
- (e) The moneys in the General Reserve Fund shall be used for the payment of the interest and Principal Installments on Bonds whenever and to the extent moneys in the Interest Account, the Principal Account, the Variable Rate Account, the Debt Service Reserve Fund, and the Junior Obligation Debt Service Fund, respectively, are insufficient therefor. At the direction of the State, moneys in the General Reserve Fund may be withdrawn and deposited in trust to purchase or redeem or pay or otherwise provide for the payment of Bonds of any Series or of Section 209 Obligations provided the purchase price does not exceed par or the next Redemption Price. At the direction of the State, expressed in a Certificate signed by the Director and filed with the Trustee, moneys. Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof in the General Reserve Fund shall be set aside and held in trust, together with the interest thereon, in the Net Debt Service Account for the sole and exclusive purpose of paying the principal of and premium, if any, and interest on Senior Bonds. The State has reserved the right to direct the Trustee in writing at any time to pay to the State or to such fund, account or official of the State as may be specified in such direction, on any one or more dates during the period commencing on June 15 of a Fiscal Year and ending on June 30 of that Fiscal Year, for any purpose of the State now or hereafter authorized by law, all or any part of the moneys on deposit in the General Reserve Fund; provided, however, that no such payment shall include any amounts set aside in trust in the Net Debt Service Account or any other moneys which have been committed, reserved or restricted pursuant to any Supplemental Indenture or instrument authorizing Section 209 Obligations; and, further provided that no such payment may be made at any time during the existence and continuation of an Event of Default.
- (f) If at any time the aggregate amount of all moneys held in all Funds and Accounts established and created under and pursuant to the Indenture shall be sufficient, as certified by the Director, to purchase or redeem or pay or otherwise provide for the payment of all Outstanding Bonds and all Outstanding Section 209 Obligations, such amount shall be irrevocably set aside in trust for such purpose in the manner summarized under “Defeasance” under this caption and shall not be used thereafter for any other purpose.

Qualified Investments

All moneys held in any Fund or Account shall be invested in Qualified Investments at the direction of the Director.

Valuation of Investments

In computing the amount in any Fund or Account, investments shall be valued at amortized cost.

Supplemental Indentures

A Supplemental Indenture which is not contrary to or inconsistent with the Indenture may be adopted at any time and shall be fully effective without the consent of the Bondholders for the following purposes: to limit the issuance of Bonds or other indebtedness; to add covenants, agreements, limitations and restrictions to be observed by the State; to surrender any right, power or privilege reserved to the State; to authorize a Series of Bonds; to

confirm, as further assurance, the pledge of the Indenture; to modify any of the provisions of the Indenture but only if such modification shall be effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding; to increase the Required Bond Transfer; and to authorize Section 209 Obligations.

A Supplemental Indenture may be adopted at any time and shall be fully effective upon the consent of the Trustee for the following purposes: to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or to provide additional duties of the Trustee under the Indenture.

Any other modification or amendment of the Indenture or of any Supplemental Indenture or of the rights and obligations of the State and of the holders of the Bonds may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture (a) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (b) in case less than all of the several Series of the then Outstanding Bonds are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the then Outstanding Bonds of each Series so affected, and (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the then Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Default and Remedies

Each of the following events shall be an “Event of Default”:

- (a) Payment of the principal or Redemption Price, if any, of any Bond shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;
- (b) Payment of any installment of interest on any Bond shall not be made within 30 days after the same shall become due;
- (c) The State shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in the Bonds which materially affects the rights of the owners of the Bonds and such failure, refusal or default shall continue for a period of 30 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding Bonds; provided, however, that so long as the State is exercising due diligence if such default cannot be cured within the 30-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all due diligence;
- (d) An Event of Default shall occur and be continuing under the provisions of any Supplemental Indenture; or
- (e) An Event of Default shall occur and be continuing under any Supplemental Indenture or other instrument creating any Section 209 Obligations.

Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (c), (d) or (e) above, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Bonds, shall proceed, to protect and enforce its rights and the rights of the owners of the Bonds by such of the following remedies or any additional remedies specified in one or more Supplemental Indentures as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (i) By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Bonds including the right to require the State to receive and collect Revenues adequate to carry out the covenants and agreements as to such Revenues and the pledge of the Indenture and to require the State to carry out any other covenant or agreement with the owners of the Bonds and to perform its duties under the Indenture;
- (ii) By bringing suit upon the Bonds;
- (iii) By action or suit in equity, require the State to account as if it were the trustee of an express trust for the owners of the Bonds; or
- (iv) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the State but only out of moneys pledged as security for the Bonds for principal. Redemption Price, interest or otherwise, under any provision of the Indenture or any Supplemental Indenture or of the Bonds and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds without prejudice to any other right or remedy of the Trustee or of the owners of the Bonds, and to recover and enforce a judgment or decree against the State for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Defeasance

If the State shall pay or cause to be paid the principal and interest and Redemption Price, if any, to become due on the Bonds of any Series or maturity of a Series, at the times and in the manner stipulated therein and in the Indenture, then, with respect to such Bonds, the pledge of Revenues provided by the Indenture and all other rights granted thereby shall be discharged and satisfied.

Bonds of any Series or maturity within any Series shall be deemed to have been paid if (a) there shall have been deposited with the Trustee either moneys or Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof maturing and bearing interest at times and in amounts sufficient, together with the moneys on deposit with the Trustee for such purpose, to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds, and (b) in case any of said Bonds are to be redeemed on any date prior to their maturity the State shall have given to the Trustee in form satisfactory to it irrevocable instructions to redeem such Bonds

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL NOTICE OF BOND SALE AND BID FORMS

STATE OF ILLINOIS



\$250,000,000*
BUILD ILLINOIS BONDS
(SALES TAX REVENUE BONDS),

\$115,000,000* JUNIOR OBLIGATION
TAX-EXEMPT SERIES A
OF OCTOBER 2018

\$125,000,000* JUNIOR OBLIGATION
TAX-EXEMPT SERIES B
OF OCTOBER 2018

\$10,000,000* JUNIOR OBLIGATION
TAXABLE SERIES C
OF OCTOBER 2018

BRUCE RAUNER
Governor

HANS ZIGMUND
Director, Governor's Office of Management and Budget

KELLY HUTCHINSON
Director of Capital Markets

Bids Will Be Received Via PARITY Until:
Tax-Exempt Series A Bonds will be received until 9:30 A.M.,
Bids for Tax-Exempt Series B Bonds will be received until 10:00 A.M.,
Bids for Taxable Series C Bonds will be received until 11:00 A.M.,
Each Central Daylight Saving Time
Tuesday, October 16, 2018
As Described Herein

Co-Bond Counsel
KATTEN MUCHIN ROSENMAN LLP
CHARITY & ASSOCIATES, P.C.

* Preliminary, subject to change.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Official Notice of Bond Sale

\$250,000,000*
State of Illinois
Build Illinois Bonds
(Sales Tax Revenue Bonds),

\$115,000,000* Junior Obligation
Tax-Exempt Series A
of October 2018
Bids will be received by 9:30 A.M.
(Central Daylight Saving Time)

\$125,000,000* Junior Obligation
Tax-Exempt Series B
of October 2018
Bids will be received by 10:00 A.M.
(Central Daylight Saving Time)

\$10,000,000* Junior Obligation
Taxable Series C
of October 2018
Bids will be received by 11:00 A.M.
(Central Daylight Saving Time)

Notice is hereby given that sealed bids for the Series of October 2018 Bonds (as defined below) will be received by the Director of the Governor’s Office of Management and Budget (the “GOMB”) of the State of Illinois (the “State”) until the times set forth above, on Tuesday, October 16, 2018, via PARITY, in the manner described below, for the purchase of the following described bonds of the State:

\$115,000,000* Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series A of October 2018 (the “Tax-Exempt Series A Bonds”); \$125,000,000* Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series B of October 2018 (the “Tax-Exempt Series B Bonds” and together with the Tax-Exempt Series A Bonds, the “Tax-Exempt Series of October 2018 Bonds”); and \$10,000,000* Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Taxable Series C of October 2018 (the “Taxable Series C Bonds” and with the Tax-Exempt Series A Bonds and the Tax-Exempt Series B Bonds, the “Series of October 2018 Bonds”). The Series of October 2018 Bonds will be dated the date of issuance thereof, and will be issued in fully registered form, without coupons. The Series of October 2018 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Series of October 2018 Bonds. Individual

* Preliminary, subject to change

purchases will be made in book-entry form only, in the principal amount of \$5,000 and any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Series of October 2018 Bonds purchased unless the book entry system is terminated. The Tax-Exempt Series of October 2018 Bonds will be payable as to principal on June 15 of each of the years 2019 to 2043, inclusive, Taxable Series C Bonds will be payable as to principal on June 15 of each of the years 2019 to 2028, inclusive, each as more fully set forth in the Preliminary Official Statement dated October 5, 2018 (the “Preliminary Official Statement”). The Tax-Exempt Series of October 2018 Bonds are subject to optional redemption, as more fully described in the Preliminary Official Statement, and will be subject to mandatory redemption if the winning bidder exercises the option described in the next sentence. Bidders have the option to designate and aggregate one or more maturities of each series of the Series of October 2018 Bonds as no more than two term bonds, as more fully described in the Official Bid Form. The Taxable Series C Bonds are not subject to prior redemption. Capitalized terms used in this Official Notice of Bond Sale and not defined herein will have the meanings set forth in the Preliminary Official Statement.

Principal of and interest (payable semiannually on the 15th day of June and December of each year, beginning on June 15, 2019), on the Series of October 2018 Bonds will be paid by the State to U.S. Bank National Association, Chicago, Illinois, as successor trustee (the “Trustee”), under the Master Trust Indenture, dated as of September 15, 1985, from the State to the Trustee, as amended to date, and as supplemented by the Fifty-Sixth Supplemental Indenture for the Tax-Exempt Series A Bonds, dated as of October 1, 2018; the Fifty-Seventh Supplemental Indenture for the Tax-Exempt Series B Bonds, and the Fifty-Eighth Supplemental Indenture for the Taxable Series C Bonds, each dated as of October 1, 2018 (collectively, the “Indenture”), from the State to the Trustee. The Trustee will remit such principal and interest to DTC’s participants, who in turn will be responsible for remitting such payments to the beneficial owners of the Series of October 2018 Bonds, all as more fully described in the Preliminary Official Statement. The State is issuing the Series of October 2018 Bonds for capital project purposes, as described in the Preliminary Official Statement. The Series of October 2018 Bonds of each series will be payable as to principal as follows:

\$115,000,000* Junior Obligation Tax-Exempt Series A of October 2018

Bids will be received by 9:30 A.M., Tuesday, October 16, 2018
(Central Daylight Saving Time)

Due June 15	Principal Amount
2019	\$4,600,000
2020	4,600,000
2021	4,600,000
2022	4,600,000
2023	4,600,000
2024	4,600,000
2025	4,600,000
2026	4,600,000
2027	4,600,000
2028	4,600,000
2029	4,600,000
2030	4,600,000
2031	4,600,000
2032	4,600,000
2033	4,600,000
2034	4,600,000
2035	4,600,000
2036	4,600,000
2037	4,600,000
2038	4,600,000
2039	4,600,000
2040	4,600,000
2041	4,600,000
2042	4,600,000
2043	4,600,000

* Preliminary, subject to change

\$125,000,000* Junior Obligation Tax-Exempt Series B of October 2018

Bids will be received by 10:00 A.M., Tuesday, October 16, 2018

(Central Daylight Saving Time)

Due June 15	Principal Amount
2019	\$5,000,000
2020	5,000,000
2021	5,000,000
2022	5,000,000
2023	5,000,000
2024	5,000,000
2025	5,000,000
2026	5,000,000
2027	5,000,000
2028	5,000,000
2029	5,000,000
2030	5,000,000
2031	5,000,000
2032	5,000,000
2033	5,000,000
2034	5,000,000
2035	5,000,000
2036	5,000,000
2037	5,000,000
2038	5,000,000
2039	5,000,000
2040	5,000,000
2041	5,000,000
2042	5,000,000
2043	5,000,000

* Preliminary, subject to change

\$10,000,000* Junior Obligation Taxable Series C of October 2018

Bids will be received by 11:00 A.M., Tuesday, October 16, 2018

(Central Daylight Saving Time)

Due June 15	Principal Amount
2019	1,000,000
2020	1,000,000
2021	1,000,000
2022	1,000,000
2023	1,000,000
2024	1,000,000
2025	1,000,000
2026	1,000,000
2027	1,000,000
2028	1,000,000

Bids for the Series of October 2018 Bonds of each series shall be submitted electronically via PARITY pursuant to this Official Notice of Bond Sale until the related time specified above, but no bid will be received after such time for receiving bids specified above. Bidders are invited to submit bids for a series or all series. **Any prospective bidder that intends to submit a bid must submit its bid through PARITY. No in-person or faxed bids will be accepted.** Subscription to i-Deal's PARITY Competitive Bidding System is required in order to submit an electronic bid. The State will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed to incorporate the provisions of this Official Notice of Bond Sale and the related Official Bid Form. Any such electronic bid shall be deemed to constitute an irrevocable offer to purchase the Series of October 2018 Bonds of the series for which a bid is submitted on the terms provided herein and shall be binding upon each Successful Bidder (hereafter defined). The State shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Official Notice of Bond Sale shall conflict with any instructions or directions set forth in PARITY, the terms of this Official Notice of Bond Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 849-5021. All costs and expenses incurred by potential bidders in connection with their registration and submission of bids via PARITY (including any legal expenses) are the sole responsibility of the bidders, and the State is not responsible, directly or indirectly, for any of such costs or expenses.

* Preliminary, subject to change

SECURITY

The Series of October 2018 Bonds are designated as Junior Obligations under the Indenture, and their payment is subject to the prior payment of the Build Illinois (Sales Tax Revenue Bonds) of the State designated as Senior Bonds and certain other deposits required by the Indenture, as more fully described in the Preliminary Official Statement. The Bonds, as defined in the Preliminary Official Statement and which include both the Senior Bonds and Junior Obligations, are direct, limited obligations of the State payable solely from and secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Build Illinois Bond Retirement and Interest Fund in the State Treasury and certain other moneys and securities held by the Trustee under the Indenture. The State has pledged the Revenues (as defined in the Preliminary Official Statement) to the payment of the Bonds, including the Series of October 2018 Bonds. Such pledge constitutes a first and prior claim against and charge on the Revenues. The Series of October 2018 Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State and, except for the Revenues, the holders of the Series of October 2018 Bonds may not require the levy or imposition of any taxes or the application of other State revenues or funds to the payment of the Series of October 2018 Bonds.

The Series of October 2018 Bonds are payable and secured on an equal and ratable basis with all series of Junior Obligations issued prior to, at the same time as, or subsequent to the issuance of the Series of October 2018 Bonds. As provided in the Indenture, Junior Obligations may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Indenture. The aggregate principal amount of Junior Obligations and Senior Bonds which may be issued pursuant to the Indenture is not limited except as provided therein and all Junior Obligations issued and to be issued pursuant to the Indenture are and will be equally and ratably secured by the pledges and covenants made therein. As more fully described in the Preliminary Official Statement, the Tax-Exempt Series B Bonds and the Taxable Series C Bonds, are additionally secured by amounts transferred from the Capital Projects Fund.

For further discussion regarding the security for the Series of October 2018 Bonds, please refer to “SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS” and “CERTAIN INVESTMENT CONSIDERATIONS” in the Preliminary Official Statement. Copies of the Indenture are on file at the offices of the Director of the GOMB (at the location as set forth in the last paragraph hereof) and reference to the Indenture is made for a description of the pledges and covenants securing the Series of October 2018 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the Series of October 2018 Bonds with respect thereto and the terms and conditions upon which Bonds are issued and may be issued thereunder.

RATINGS AND BOND INSURANCE

S&P Global Ratings (“S&P”) has assigned a rating of “AA-” with a Stable Outlook to the Series of October 2018 Bonds, Fitch Ratings, Inc. (“Fitch”) has assigned a rating of “A-” with a Negative Outlook to the Series of October 2018 Bonds, and Kroll Bond Rating Agency, Inc. (“Kroll”) has assigned a rating of “AA+” with a Stable Outlook to the Series of October 2018

Bonds. Additional information about the ratings on the Series of October 2018 Bonds is set forth in the Preliminary Official Statement. As part of the State's application for the ratings, certain information and materials, some of which are not contained herein, have been supplied to the rating agencies. The ratings are neither "market" ratings nor recommendations to buy, sell or hold the Series of October 2018 Bonds, and the ratings and the Series of October 2018 Bonds should be evaluated independently.

The State is not securing the Series of October 2018 Bonds with bond insurance or any other form of credit enhancement.

Bidders, at their own expense, may elect to insure all or a portion of a series of the Series of October 2018 Bonds, and such insurance may be obtained from one or more bond insurance providers identified by each Successful Bidder on the related Official Bid Form.

Each Successful Bidder for the Series of October 2018 Bonds agrees to disclose to the State the cost of any such insurance obtained from each (if more than one) insurance provider used, and to which serial bond or term bond maturity or maturities such insurance applies. Each Successful Bidder must certify to the net interest cost benefit from the use of bond insurance, as more fully described in the related Official Bid Form. Insured ratings with the use of bond insurance, if required, are to be applied for by such Successful Bidder, and costs incurred for such ratings must be paid at such Successful Bidder's expense.

ESTABLISHMENT OF ISSUE PRICE FOR THE TAX-EXEMPT SERIES OF OCTOBER 2018 BONDS

Establishment of Issue Price (10% Test to Apply if Competitive Sale Requirements are Not Satisfied)

The successful bidder for each series of the Tax-Exempt Series of October 2018 Bonds shall assist the State in establishing the issue price of such series (the "Tax-Exempt Series") and shall execute and deliver to the State at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Tax-Exempt Series, together with the supporting pricing wires or equivalent communications, substantially in the form included as part of this Notice of Sale, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the State and Bond Counsel.

The State intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of each Tax-Exempt Series will apply to the initial sale of each Tax-Exempt Series (the "competitive sale requirements") because:

- (1) the State shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;

- (3) the State may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the State anticipates awarding the sale of the Tax-Exempt Series of October 2018 Bonds to the bidder who submits a firm offer to purchase the Tax-Exempt Series of October 2018 Bonds at the highest price (or lowest true interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale for a Tax-Exempt Series shall be considered a firm offer for the purchase of such Tax-Exempt Series, as specified in the bid.

In the event that the competitive sale requirements are not satisfied with respect to a Tax-Exempt Series, the State shall so advise the successful bidder. The State shall treat the first price at which 10% of each maturity such Tax-Exempt Series (the “10% test”) is sold to the public as the issue price of that maturity. The successful bidder shall advise the State if any maturity of such Tax-Exempt Series Bonds satisfies the 10% test as of the date and time of the award of such Tax-Exempt Series. **The State will not require bidders to comply with the “hold-the-offering-price rule” and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of any Tax-Exempt Series Bonds as the issue price of that maturity. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.**

If the competitive sale requirements are not satisfied for a Tax-Exempt Series, then until the 10% test has been satisfied as to each maturity of such Tax-Exempt Series, the successful bidder agrees to promptly report to the State the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Tax-Exempt Series Bonds of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Tax-Exempt Series of October 2018 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Tax-Exempt Series of October 2018 Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Tax-Exempt Series of October 2018 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Tax-Exempt Series of October 2018 Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been

satisfied as to the Tax-Exempt Series of October 2018 Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the party to winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the State (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Tax-Exempt Series of October 2018 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Tax-Exempt Series of October 2018 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Tax-Exempt Series of October 2018 Bonds to the public).
- (3) a purchaser of any of the Tax-Exempt Series of October 2018 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date that the Tax-Exempt Series of October 2018 Bonds are awarded by the State to the successful bidder or bidders.

BIDDING DETAILS

Each series of the Series of October 2018 Bonds offered hereby will be awarded to the bidder (each, a “Successful Bidder”) whose bid conforms to the terms of this Official Notice of Bond Sale and which bid results in the lowest “true interest cost” (“TIC”) for the related series of the Series of October 2018 Bonds, determined as follows: The TIC is the discount rate (expressed as a per-annum percentage rate) which, when used in computing the present value of all principal and interest to be paid on the applicable series of the Series of October 2018 Bonds, from the scheduled payment dates back to the date of delivery, produces a present value amount equal to the price bid, including premium, if any, to the date of delivery. Payments of principal and interest on the Series of October 2018 Bonds shall be based on the principal amounts set

forth in the related Official Bid Form and the interest rates specified by each bidder. The computation of present value shall be based on the number of semiannual periods between the scheduled payment dates and the date of delivery, using a 360-day year of twelve 30-days months.

In the event of more than one bid for a series specifying the lowest TIC as defined above, it shall be the option of the State to propose that the winning bidders syndicate the award as such bidders may mutually agree, or to select by lot among the bidders with the lowest TIC, in which case such determination by the State shall be considered final.

In the event of more than one Successful Bidder for a series of the Series of October 2018 Bonds offered hereby, there shall be decided between them which bidder shall assume the primary role of Successful Bidder with respect to that series of the Series of October 2018 Bonds, including the payment of expenses, good faith deposit, and other disclosures and representations as required herein.

Bidders are to specify a rate of interest per annum to be paid on the related series of Series of October 2018 Bonds of each maturity, subject to the following limitations:

(i) all Series of October 2018 Bonds of the same series and maturity year (whether a serial maturity or a wholly designated and consecutive sinking fund redemption of a term bond as provided in the Preliminary Official Statement) must bear the same rate of interest and no one Series of October 2018 Bond shall bear more than one rate of interest;

(ii) concerning the Tax-Exempt Series of October 2018 Bonds, bidders are invited to name the rate of interest per annum that the related series of such Tax-Exempt Series of October 2018 Bonds are to bear in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent; a zero rate of interest may not be named, and no rate of interest may exceed 9% per annum; and

(iii) concerning the Taxable Series C Bonds, bidders are invited to name the rate of interest per annum that the related series of Series of October 2018 Bonds are to bear in multiples of one-eighth (1/8th) or one-hundredth (1/100th) of one percent; a zero rate of interest may not be named, and no rate of interest may exceed the greater of 13 1/2% per annum.

Proposals may specify any number of interest rates, subject to clauses (i) and (ii) above, and all bids must be in compliance with the limitations on the costs of issuance described in the bold-faced paragraph captioned, "Limitations on Costs of Issuance" below.

No proposal for a Tax-Exempt Series will be considered which does not offer to purchase all of such Tax-Exempt Series Bonds offered hereby or which does not offer to purchase such Tax-Exempt Series at a price of at least 98% and **no greater than** 115.0% of their aggregate par value. Underwriter's discount is limited as described in the paragraph captioned, "Limitations on Costs of Issuance" below.

No proposal for the Taxable Series C Bonds will be considered which does not offer to purchase all of the Taxable Series C Bonds offered hereby or which does not offer to purchase the Taxable Series C Bonds at a price of at least 99.5% and **no greater than** 102% of their aggregate par value. Underwriter's discount is limited as described in the paragraph captioned, "Limitations on Costs of Issuance" below.

Each Successful Bidder will be required to post a good faith deposit (the "Deposit") by wire transfer to be received by the State Treasurer prior to 2:30 P.M. (Central Daylight Saving Time) on October 16, 2018. GOMB will provide wire transfer directions at the time of the award. The amount of each Deposit shall be equal to 0.10% of the final adjusted principal amount of the related series of the Series of October 2018 Bonds.

The State may hold the proceeds of any Deposit or invest the same (at the State's risk) in obligations that mature at or before the delivery of the Series of October 2018 Bonds, until disposed of as follows: (a) at the delivery of such Series of October 2018 Bonds and upon compliance with the Successful Bidder's obligation to take up and pay for such Series of October 2018 Bonds, the full amount of such Deposit held by the State, without adjustment for interest, shall be applied toward the purchase price of such Series of October 2018 Bonds at that time, and the full amount of any interest earnings thereon shall be retained by the State, and (b) if the Successful Bidder fails to take up and pay for such Series of October 2018 Bonds when tendered, the full amount of such Deposit plus any interest earnings thereon will be forfeited to the State as liquidated damages.

Action awarding the Series of October 2018 Bonds or rejection of all bids, or all bids of a series, will be taken no later than three hours after expiration of the time prescribed in this Notice for the receipt of bids. Notice of award will be given promptly to each Successful Bidder. The right is reserved to reject any or all bids and to waive any irregularity or informality in any bid.

The Successful Bidder for the Series of October 2018 Bonds is required to deliver to the State, within one hour after the award, the prices at which such Successful Bidder reasonably expects to initially offer each maturity of such Series of October 2018 Bonds (the "Initial Offering Prices") to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) (the "Public") as of the date of the award of such Series of October 2018 Bonds (the "Sale Date"). Such Successful Bidder will also be required, on or prior to the date of issue of the Tax-Exempt Series A Bonds and the Tax-Exempt Series B Bonds, respectively, to actually offer 100% of each maturity of such Tax-Exempt Series of October Bonds to the Public in a bona fide public offering at the Initial Offering Prices. Prior to the delivery of such Tax-Exempt Series of October Bonds, such Successful Bidder must submit to the State the Certificate of Purchaser, in the form attached hereto as *Exhibit I*, or in such other form acceptable to Co-Bond Counsel, containing information sufficient to enable the State to determine the "issue price" of such Tax-Exempt Series of October Bonds as defined for purposes of Section 148 of the Internal Revenue Code of 1986, as amended.

Limitations on Costs of Issuance. State law requires that no more than 0.5% of the principal amount of the proceeds of sale of each series of the Series of October 2018 Bonds be used to pay the reasonable costs of issuance and sale, including, without limitation,

underwriter's discount and fees, but excluding bond insurance. The costs of issuance and sale, excluding underwriter's discount and fees, is \$164,450 for the Tax-Exempt Series A Bonds, \$178,750 for the Tax-Exempt Series B Bonds and \$14,300 for the Taxable Series C Bonds. The Successful Bidders will **not** be required to pay such costs of issuance and sale on behalf of the State.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the related subseries of Bonds in accordance with the terms hereof. Acacia Financial Group, Inc., municipal advisor to the State in connection with the Bonds, will timely apply for CUSIP numbers with respect to the Bonds as required by the Municipal Securities Rulemaking Board (the "MSRB") Rule G-34. The CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the successful bidder for each series of Bonds.

Pursuant to the Act, each Successful Bidder will be required to provide to the GOMB (i) the respective percentages of participation and compensation of each underwriter in its bidding syndicate pursuant to an Agreement Among Underwriters or other arrangement among the members of the bidding syndicate and (ii) an identification of which members in the bidding syndicate are minority owned businesses, female owned businesses and businesses owned by persons with disabilities (as such firms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act of the State, as amended; See 30 ILCS 575/0.01 et seq.). Such disclosure will be made part of a publicly disclosed GOMB report and will be posted on the GOMB's website.

It is the policy of the State and the GOMB to encourage, but not require, that at least 5% of the Series of October 2018 Bonds are underwritten by minority owned firms, at least 5% of the Series of October 2018 Bonds are underwritten by woman owned firms, and at least 2% of the Series of October 2018 Bonds are underwritten by firms owned by persons with disabilities. It is also the policy of the State and the GOMB to encourage, but not require, the formation of bidding groups for the submission of bids.

In order for each Successful Bidder to be awarded the related Series of October 2018 Bonds, such Successful Bidder must also certify that it did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of such Series of October 2018 Bonds to such Successful Bidder.

The State reserves the right to cancel this Official Notice of Sale and reject any and all bids for any reason.

CHANGE OF BID DATE

The State reserves the right to change, from time to time, the date and/or time established for the receipt of bids and will undertake to notify registered prospective bidders via notification published via PARITY.

A change of the bid and/or time will be announced via PARITY not later than 9:00 A.M., Central Daylight Saving Time on any announced date for receipt of bids, and an alternative sale date and time will be announced via PARITY at least 12 hours prior to such alternative date and/or time for receipt of bids.

On any such alternative date and/or time for receipt of bids, the State will accept electronic bids for the purchase of the Series of October 2018 Bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and/or time for receipt of bids and any other changes announced via PARITY at the time the date and time for receipt of bids are announced.

PROVISIONS RELATING TO RULE 15c2-12

Preliminary Official Statement

The State has deemed the Preliminary Official Statement “final” as of its date for purposes of Section (b)(1) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, except for such information which is permitted to be omitted pursuant to Section (b)(1) of the Rule.

Final Official Statement

Upon the sale of the Series of October 2018 Bonds, the State will publish an Official Statement in substantially the same form as the Preliminary Official Statement subject to minor additions, deletions and revisions as required to complete the Official Statement. By submission of its bid, each Successful Bidder will be deemed to have certified that it has obtained and reviewed the Preliminary Official Statement. The State will provide each Successful Bidder with a reasonable number (not to exceed 100) of final Official Statements no later than seven business days following the date of sale. Each Successful Bidder agrees to supply to the State all necessary pricing information and any underwriter identification necessary to complete the Official Statement within 24 hours after the award of the Series of October 2018 Bonds. A reoffering price and yield must be provided for every serial and term bond maturity, and none may be indicated as “not reoffered.”

The Director of GOMB will deliver to each Successful Bidder at closing a certificate confirming that, to his knowledge, the Official Statement was, as of its date, and is, at the time of closing, true and correct in all material respects, and that the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Continuing Disclosure

The State will enter into a written agreement or contract, constituting an undertaking (the “Undertaking”) to provide ongoing disclosure about the State for the benefit of the beneficial owners of the Series of October 2018 Bonds on or before the date of delivery of the Series of October 2018 Bonds as required under Section (b)(5) of the Rule 15c2-12. The form of the Undertaking is set forth as APPENDIX H to the Preliminary Official Statement. Information

with respect to the State's compliance with prior continuing disclosure undertakings for the last five years can be found in "CONTINUING DISCLOSURE" in the Preliminary Official Statement. The obligation of each Successful Bidder to purchase the Series of October 2018 Bonds shall be conditioned upon the State delivering the Undertaking on or before the date of delivery of the Series of October 2018 Bonds.

OTHER MATTERS

The approving opinions of Co-Bond Counsel covering the legality of and federal tax status of the interest on the Series of October 2018 Bonds, the forms of which are set forth as Appendix B in the Preliminary Official Statement, will be furnished at the expense of the related Successful Bidder of the Series of October 2018 Bonds, as the purchaser of the related Series of October 2018 Bonds, as described above, and all bids must be so conditioned. The State will provide the usual closing certificates dated as of the date of delivery of and payment for the Series of October 2018 Bonds, including a statement that there is no litigation pending, or to the knowledge of the signer thereof, threatened, affecting the legality of the Series of October 2018 Bonds.

The Series of October 2018 Bonds are expected to be ready for delivery on or about November 1, 2018, and at delivery will be registered in the name of Cede & Co., as described above. Delivery of the Series of October 2018 Bonds will be made to DTC in New York, New York, without cost to the Successful Bidders. Payment for the Series of October 2018 Bonds must be made in Federal Reserve Bank funds which will be immediately available in Chicago on the day of delivery. Each Successful Bidder shall have the right, at its option, to cancel the contract to purchase the related series of the Series of October 2018 Bonds if such Series of October 2018 Bonds are not tendered for delivery to such Successful Bidder within 30 days from the date of sale thereof, and in such event such Successful Bidder shall be entitled to the return of its Deposit. The Successful Bidder shall not have the right to terminate its obligations to purchase, to accept delivery of and to pay for the Series of October 2018 Bonds if, between the Sale Date (as defined herein) and the date of delivery of the Series of October 2018 Bonds, there is a change in the rating on any or all of the Series of October Bonds. The State shall have the right, at its option, to cancel the contract of purchase if upon tender of the related series of the Series of October 2018 Bonds for delivery, the related Successful Bidder shall not have accepted delivery and paid for such Series of October 2018 Bonds, in which event the Deposit, without adjustment for interest, accompanying such bid shall be forfeited to the State as payment of damages for failure to comply with the contract of purchase for such Series of October 2018 Bonds.

The Preliminary Official Statement, the Official Notice of Bond Sale and the Official Bid Forms, together with other pertinent information, may be obtained as follows:

From the State of Illinois, Governor's Office of Management and Budget,
Attention: Kelly Hutchinson, 100 West Randolph Street, Suite 15-100, Chicago, Illinois
60601, Telephone: (312) 814-0023, Email: Kelly.Hutchinson@illinois.gov.

From Katten Muchin Rosenman LLP, Co-Bond Counsel, Attention: Lewis Greenbaum, 525 West Monroe Street, Chicago, Illinois 60661, Telephone: (312) 902-5418, Email: lewis.greenbaum@kattenlaw.com.

From Acacia Financial Group, Inc., Attention: Phoebe Seldon, 221 North LaSalle Street, Suite 1500, Chicago, Illinois 60601, Telephone: (312) 269-0041, Email: pselden@acaciafin.com.

Dated this 5th day of October, 2018.

BRUCE RAUNER
Governor

HANS ZIGMUND
Director,
Governor's Office of Management and
Budget

KELLY HUTCHINSON
Director of Capital Markets

EXHIBIT I

**FORM OF CERTIFICATE OF PURCHASER
STATE OF ILLINOIS
BUILD ILLINOIS BONDS
(SALES TAX REVENUE BONDS),
JUNIOR OBLIGATION
TAX-EXEMPT SERIES [A][B] OF OCTOBER 2018**

(To be provided by the State for execution and delivery by Successful Bidder prior to closing)

Issue Price Certificate – Competitive Sale Requirements

The undersigned, on behalf of _____ (“Winning Underwriter”), hereby certifies as set forth below with respect to the sale of the \$ _____ principal amount of Build Illinois Bonds (Sales Tax Revenue Bonds) Series [A][B] of October 2018 of the State of Illinois (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering price of the Bonds to the Public by the Winning Underwriter is \$ _____ (the “Expected Offering Price”). The Expected Offering Price is the price for the Maturity of the Bonds used by Winning Underwriter in formulating its bid to purchase the Bonds.

(b) Winning Underwriter was not given the opportunity to see other bids prior to submitting its bid but was able to see the ranking of its bid relative to other bids (*i.e.*, “Leader”, “Cover”, “3rd” *etc.*).

(c) The bid submitted by Winning Underwriter constituted firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with the same maturity date but different stated interest rates or credit terms, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means, in the case of corporations, any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the State (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Winning Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the State of Illinois with respect to certain of the representations set forth in the Tax Compliance Agreement pertaining to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the State from time to time relating to the Bonds.

Issue Price Certificate – 10% Test

The undersigned, on behalf of _____
 (“*Underwriter*”), hereby certifies as set forth below with respect to the sale of the
 \$ _____ principal amount of Build Illinois Bonds (Sales Tax Revenue Bonds) Series
 [A][B] of October 2018 of the State of Illinois (the “*Bonds*”).

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A. [*Please Note: This statement must be modified if 10% of any maturity is not sold by the issue date of the Bonds*]

2. ***Defined Terms.***

(a) Issuer means State of Illinois.

(b) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) An underwriter means (i) any person that agrees pursuant to a written contract with the State (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph

to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the State of Illinois with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the State from time to time relating to the Bonds.

[The present value of the fee paid to _____, _____, _____, for insuring the Bonds (the "*Credit Facility*") (using as a discount rate the expected yield on the Bonds treating the fee paid as interest on the Bonds) is less than the present value of the interest reasonably expected to be saved on the Bonds over the term of the Bonds as a result of the Credit Facility, that the fee paid for the Credit Facility does not exceed a reasonable, arm's length charge for the transfer of credit risk, and that the fee does not include any payment for any direct or indirect services other than the transfer of credit risk.]

All terms not defined herein shall have the same meanings as in the Tax Exemption Certificate and Agreement with respect to the Bonds, to which this Certificate is attached.

Dated: _____, 2018

Very truly yours,

By _____
Its _____

Issue Price Certificate – 10% Test

The undersigned, on behalf of _____ (“Underwriter”), hereby certifies as set forth below with respect to the sale of the \$ _____ principal amount of Build Illinois Bonds (Sales Tax Revenue Bonds) Series [A][B] of October 2018 of the State of Illinois (the “Bonds”).

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A. [Please Note: This statement must be modified if 10% of any maturity is not sold by the issue date of the Bonds]

2. ***Defined Terms.***

(a) Issuer means State of Illinois.

(b) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) An underwriter means (i) any person that agrees pursuant to a written contract with the State (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the State of Illinois with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Co-Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the State from time to time relating to the Bonds:

2. The present value of the fee paid to _____, _____, _____, for insuring the Bonds (the “*Credit Facility*”) (using as a discount rate the expected yield on the Bonds treating the fee paid as interest on the Bonds) is less than the present value of the interest reasonably expected to be saved on the Bonds over the term of the Bonds as

a result of the Credit Facility, that the fee paid for the Credit Facility does not exceed a reasonable, arm's length charge for the transfer of credit risk, and that the fee does not include any payment for any direct or indirect services other than the transfer of credit risk.]

All terms not defined herein shall have the same meanings as in the Tax Exemption Certificate and Agreement with respect to the Bonds, to which this Certificate is attached.

Dated: _____, 2018

Very truly yours,

By _____
Its _____

**OFFICIAL BID FORM
JUNIOR OBLIGATION TAX-EXEMPT SERIES A OF
OCTOBER 2018**

Hans Zigmund
Director, Governor’s Office of Management and Budget
State of Illinois

_____, 2018

Director:

For your State of Illinois, Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series A of October 2018 (the “Tax-Exempt Series A Bonds”), dated the date of issuance thereof, maturing as set forth below, and which Tax-Exempt Series A Bonds are to be limited obligations of the State of Illinois as set forth in the Official Notice of Bond Sale, which is made a part hereof by reference, we will pay you the sum of:

\$ _____
(Purchase price not to be less than 98% nor greater than 115% of
the aggregate par amount of the Tax-Exempt Series A Bonds).

The \$ _____* aggregate principal amount of Tax-Exempt Series A Bonds are to bear interest at the following respective interest rates (each a multiple of 1/8 or 1/20 of 1%) for the Tax-Exempt Series A Bonds of each designated June 15 maturity.†

DUE JUNE 15	PRINCIPAL AMOUNT*	INTEREST RATE
----------------	----------------------	------------------

We hereby specify that the following Tax-Exempt Series A Bonds be designated and aggregated into term bonds maturing on June 15 of the following years and in the following amounts (leave blank if no term bonds are specified):

MATURITIES DESIGNATED AND AGGREGATED	YEAR OF TERM BOND MATURITY	PRINCIPAL AMOUNT
20__ through 20__	_____	\$ _____
20__ through 20__	_____	_____

* Subject to change as described in the Official Notice of Bond Sale under the heading “BIDDING DETAILS -- Post-Bid Revisions.”

† Bidders should carefully review the interest rate limitations and specifications set forth in the Official Notice of Bond Sale under the heading “BIDDING DETAILS.” All Tax-Exempt Series A Bonds of the same maturity year must bear the same rate of interest and no one Tax-Exempt Series A Bond shall bear more than one rate of interest.

Each designated maturity of term bonds shall be subject to mandatory sinking fund redemption at par in one or more consecutive years immediately preceding the year of maturity. Such mandatory sinking fund redemptions and payments at maturity shall be in the respective principal amounts shown on the inside cover of the Preliminary Official Statement and may not overlap with such payments of another term or serial bond. Serially maturing bonds may intervene between maturities of optionally designated term bonds.

The Tax-Exempt Series A Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinions of Katten Muchin Rosenman LLP and Charity & Associates, P.C., Co-Bond Counsel.

By submitting a bid, any bidder makes the representation that it understands Co-Bond Counsel represents the State in the Bond transaction and, if such bidder has retained either or both Co-Bond Counsel firm in an unrelated matter, such bidder represents that the signatory to the bid is duly authorized to, and does, consent to and waive for and on behalf of such bidder any conflict of interest of such Co-Bond Counsel arising from any adverse position to the State in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and such Co-Bond Counsel.

We hereby certify that we did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of Tax-Exempt Series A Bonds to us.

We hereby further certify that the total costs of issuance and sale for the Tax-Exempt Series A Bonds, including our underwriter's discount and fees and the issuance costs and fees to be incurred by the State (such aggregate amount of State costs having been disclosed to be \$_____), but excluding bond insurance, is less than 0.5% of the principal amount of the proceeds of the Tax-Exempt Series A Bonds.

As evidence of our good faith we will wire a deposit (the "Deposit") in the amount of 0.10% of the final par amount of the Tax-Exempt Series A Bonds, in accordance with your Official Notice of Bond Sale, which is made a part hereof by reference.

Wire Instructions:

Amount: \$ _____
ABA Routing #: _____
Account #: _____
Account Name: _____
Attn: _____

Respectfully submitted:

Name: _____
ACCOUNT MANAGER
By: _____
Address: _____
City _____ State _____
Telephone _____
E-mail Address _____

BIDDERS OPTION INSURANCE
We have purchased insurance from: (Write Name Below) _____

This bid was accepted and Tax-Exempt Series A Bonds sold on _____, 2018, and receipt is hereby acknowledged of the Deposit in accordance with the terms of the Official Notice of Bond Sale.

Director, Governor's Office of Management
and Budget

For information only, and not as a part of this bid, we calculate that on a true interest cost basis (calculated to the date of delivery), the net effective interest rate is _____% per annum.

**OFFICIAL BID FORM
 JUNIOR OBLIGATION TAX-EXEMPT SERIES B OF
 OCTOBER 2018**

Hans Zigmund _____, 2018
 Director, Governor’s Office of Management and Budget
 State of Illinois

Director:

For your State of Illinois, Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Tax-Exempt Series B of October 2018 (the “Tax-Exempt Series B Bonds”), dated the date of issuance thereof, maturing as set forth below, and which Tax-Exempt Series B Bonds are to be limited obligations of the State of Illinois as set forth in the Official Notice of Bond Sale, which is made a part hereof by reference, we will pay you the sum of:

\$ _____
 (Purchase price not to be less than 98% nor greater than 115% of
 the aggregate par amount of the Tax-Exempt Series B Bonds).

The \$ _____* aggregate principal amount of Tax-Exempt Series B Bonds are to bear interest at the following respective interest rates (each a multiple of 1/8 or 1/20 of 1%) for the Tax-Exempt Series B Bonds of each designated June 15 maturity.†

DUE JUNE 15	PRINCIPAL AMOUNT*	INTEREST RATE
----------------	----------------------	------------------

We hereby specify that the following Tax-Exempt Series B Bonds be designated and aggregated into term bonds maturing on June 15 of the following years and in the following amounts (leave blank if no term bonds are specified):

MATURITIES DESIGNATED AND AGGREGATED	YEAR OF TERM BOND MATURITY	PRINCIPAL AMOUNT
20__ through 20__	_____	\$ _____
20__ through 20__	_____	_____

* Subject to change as described in the Official Notice of Bond Sale under the heading “BIDDING DETAILS -- Post-Bid Revisions.”

† Bidders should carefully review the interest rate limitations and specifications set forth in the Official Notice of Bond Sale under the heading “BIDDING DETAILS.” All Tax-Exempt Series A Bonds of the same maturity year must bear the same rate of interest and no one Tax-Exempt Series A Bond shall bear more than one rate of interest.

Each designated maturity of term bonds shall be subject to mandatory sinking fund redemption at par in one or more consecutive years immediately preceding the year of maturity. Such mandatory sinking fund redemptions and payments at maturity shall be in the respective principal amounts shown on the inside cover of the Preliminary Official Statement and may not overlap with such payments of another term or serial bond. Serially maturing bonds may intervene between maturities of optionally designated term bonds.

The Tax-Exempt Series B Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinions of Katten Muchin Rosenman LLP and Charity & Associates, P.C., Co-Bond Counsel.

By submitting a bid, any bidder makes the representation that it understands Co-Bond Counsel represents the State in the Bond transaction and, if such bidder has retained either or both Co-Bond Counsel firm in an unrelated matter, such bidder represents that the signatory to the bid is duly authorized to, and does, consent to and waive for and on behalf of such bidder any conflict of interest of such Co-Bond Counsel arising from any adverse position to the State in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and such Co-Bond Counsel.

We hereby certify that we did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of Tax-Exempt Series B Bonds to us.

We hereby further certify that the total costs of issuance and sale for the Tax-Exempt Series B Bonds, including our underwriter's discount and fees and the issuance costs and fees to be incurred by the State (such aggregate amount of State costs having been disclosed to be \$_____), but excluding bond insurance, is less than 0.5% of the principal amount of the proceeds of the Tax-Exempt Series B Bonds.

As evidence of our good faith we will wire a deposit (the "Deposit") in the amount of 0.10% of the final par amount of the Tax-Exempt Series B Bonds, in accordance with your Official Notice of Bond Sale, which is made a part hereof by reference.

Wire Instructions:

Amount: \$ _____
ABA Routing #: _____
Account #: _____
Account Name: _____
Attn: _____

Respectfully submitted:

Name: _____
ACCOUNT MANAGER
By: _____
Address: _____
City _____ State _____
Telephone _____
E-mail Address _____

BIDDERS OPTION INSURANCE
We have purchased insurance from: (Write Name Below) _____

This bid was accepted and Tax-Exempt Series B Bonds sold on _____, 2018, and receipt is hereby acknowledged of the Deposit in accordance with the terms of the Official Notice of Bond Sale.

Director, Governor's Office of Management
and Budget

For information only, and not as a part of this bid, we calculate that on a true interest cost basis (calculated to the date of delivery), the net effective interest rate is ____% per annum.

**OFFICIAL BID FORM
JUNIOR OBLIGATION TAXABLE SERIES C OF
OCTOBER 2018**

Hans Zigmund
Director, Governor's Office of Management and Budget
State of Illinois

_____, 2018

Director:

For your State of Illinois, Build Illinois Bonds (Sales Tax Revenue Bonds), Junior Obligation Taxable Series C of October 2018 (the "Taxable Series C Bonds"), dated the date of issuance thereof, maturing as set forth below, and which Taxable Series C Bonds are to be limited obligations of the State of Illinois as set forth in the Official Notice of Bond Sale, which is made a part hereof by reference, we will pay you the sum of:

\$ _____
(Purchase price not to be less than 99.5% nor greater than 102% of
the aggregate par amount of the Taxable Series C Bonds).

The \$ _____* aggregate principal amount of Taxable Series C Bonds, are to bear interest at the following respective interest rates (each a multiple of 1/8 or 1/100 of 1%) for the Taxable Series C Bonds of each designated June 15 maturity.†

DUE JUNE 15	PRINCIPAL AMOUNT*	INTEREST RATE
----------------	----------------------	------------------

We hereby specify that the following Taxable Series C Bonds be designated and aggregated into term bonds maturing on June 15 of the following years and in the following amounts (leave blank if no term bonds are specified):

MATURITIES DESIGNATED AND AGGREGATED	YEAR OF TERM BOND MATURITY	PRINCIPAL AMOUNT
20__ through 20__	_____	\$ _____
20__ through 20__	_____	_____

* Subject to change as described in the Official Notice of Bond Sale under the heading "BIDDING DETAILS -- Post-Bid Revisions,"

† Bidders should carefully review the interest rate limitations and specifications set forth in the Official Notice of Bond Sale under the heading "BIDDING DETAILS All Taxable Series C Bonds of the same maturity year must bear the same rate of interest and no one Taxable Series C Bond shall bear more than one rate of interest.

Each designated maturity of term bonds shall be subject to mandatory sinking fund redemption at par in one or more consecutive years immediately preceding the year of maturity. Such mandatory sinking fund redemptions and payments at maturity shall be in the respective principal amounts shown on the inside cover of the Preliminary Official Statement and may not overlap with such payments of another term or serial bond. Serially maturing bonds may intervene between maturities of optionally designated term bonds.

The Taxable Series C Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinions of Katten Muchin Rosenman LLP and Charity & Associates, P.C., Co-Bond Counsel.

By submitting a bid, any bidder makes the representation that it understands Co-Bond Counsel represents the State in the Bond transaction and, if such bidder has retained either or both Co-Bond Counsel firm in an unrelated matter, such bidder represents that the signatory to the bid is duly authorized to, and does, consent to and waive for and on behalf of such bidder any conflict of interest of such Co-Bond Counsel arising from any adverse position to the State in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and such Co-Bond Counsel.

We hereby certify that we did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of Taxable Series C Bonds to us.

We hereby further certify that the total costs of issuance and sale for the Taxable Series C Bonds, including our underwriter's discount and fees and the issuance costs and fees to be incurred by the State (such aggregate amount of State costs having been disclosed to be \$ _____), but excluding bond insurance, is less than 0.5% of the principal amount of the proceeds of the Taxable Series C Bonds.

As evidence of our good faith we will wire a deposit (the "Deposit") in the amount of 0.10% of the final par amount of the Taxable Series C Bonds, in accordance with your Official Notice of Bond Sale, which is made a part hereof by reference.

Wire Instructions:

Amount: \$ _____
ABA Routing #: _____
Account #: _____
Account Name: _____
Attn: _____

Respectfully submitted:

Name: _____
ACCOUNT MANAGER
By: _____
Address: _____
City _____ State _____
Telephone _____
E-mail Address _____

BIDDERS OPTION INSURANCE
We have purchased insurance from: (Write Name Below) _____

This bid was accepted and Taxable Series C Bonds sold on _____, 2018, and receipt is hereby acknowledged of the Deposit in accordance with the terms of the Official Notice of Bond Sale.

Director, Governor's Office of Management
and Budget

For information only, and not as a part of this bid, we calculate that on a true interest cost basis (calculated to the date of delivery), the net effective interest rate is _____% per annum.

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com