

*In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2013 Bonds will not be includable in gross income for federal income tax purposes. Interest on the Series 2013 Bonds is not required to be included as an item of tax preference for purposes of computing individual or corporate “alternative minimum taxable income”. However, interest on the Series 2013 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2013 Bonds is not exempt from Illinois income taxes. See “TAX EXEMPTION” herein.*



\$141,700,000

**ILLINOIS FINANCE AUTHORITY****State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds,  
Series 2013****Dated:** Date of Delivery**Principal Due:** January 1 and July 1,  
as shown on inside cover

The State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013 (the “Series 2013 Bonds”) are limited obligations of the Illinois Finance Authority (the “Authority”), payable solely from (i) the payments, revenues and receipts derived from the Pledged Agreements (as defined herein) (but excluding Loan Support Payments), and (ii) any other funds held by Amalgamated Bank of Chicago, an Illinois State banking corporation, as master trustee (the “Master Trustee”), under the Master Trust Agreement dated as of November 1, 2013 (the “Master Trust Agreement”) between the Authority and the Master Trustee, as supplemented by the First Supplemental Master Trust Agreement dated as of November 1, 2013 (the “First Supplemental Master Trust Agreement”), between the Authority and the Master Trustee. The Series 2013 Bonds, when issued, will be the only series of bonds secured under the Master Trust Agreement. Additional Indebtedness (as defined herein) may be issued pursuant to the Master Trust Agreement. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS – Pledged Agreements.”

Proceeds from the sale of the Series 2013 Bonds will be used (i) to fund loans made by the Illinois Environmental Protection Agency (“IEPA”) to units of local government in the State of Illinois (the “State”) to finance eligible wastewater treatment and sanitary sewerage facilities and drinking water facilities, (ii) to refund outstanding bonds of the Authority for the benefit of IEPA’s clean water and drinking water programs, and (iii) to pay costs of issuance, all as more fully described herein. See “PLAN OF FINANCE” herein for a description of the refunding plan.

The Series 2013 Bonds will be issued 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 the nominee of The Depository Trust Company (“DTC”), New York, New York. See APPENDIX G — “BOOK-ENTRY ONLY SYSTEM” herein. Interest on the Series 2013 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2014. The Series 2013 Bonds are subject to extraordinary mandatory redemption prior to maturity, as described herein.

**The Series 2013 Bonds are limited obligations of the Authority. The principal of and premium, if any and the interest thereon is payable solely from revenues pledged under the Master Trust Agreement, and funds available under the Master Trust Agreement. The Series 2013 Bonds do not constitute an indebtedness of the Authority, IEPA, the State or any political subdivision thereof, within the purview of any constitutional provision or statutory limitation. The Authority is obligated to pay the principal of and interest on the Series 2013 Bonds only from the revenues pledged pursuant to the Master Trust Agreement. Neither the faith and credit nor the taxing powers, if any, of the Authority, IEPA, the State or any political subdivision thereof is pledged to the payment of the principal of and interest on the Series 2013 Bonds. The Authority has no taxing power.**

The Series 2013 Bonds are offered when, as and if issued, and subject to the approving legal opinion of Katten Muchin Rosenman LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Mayer Brown LLP, Chicago, Illinois; for the Underwriters by their co-counsel, Foley & Lardner LLP, Chicago, Illinois and Pugh, Jones & Johnson, P.C., Chicago, Illinois; and for IEPA by its Chief Legal Counsel. It is expected that the Series 2013 Bonds will be issued and available for delivery through DTC on or about December 5, 2013.

**BofA Merrill Lynch****Loop Capital Markets****Ramirez & Co., Inc.**

\$141,700,000  
**ILLINOIS FINANCE AUTHORITY**  
**STATE OF ILLINOIS CLEAN WATER INITIATIVE REVOLVING FUND REVENUE BONDS**  
**SERIES 2013**

**MATURITY SCHEDULE**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Base: 45203H</b>
July 1, 2014	\$11,380,000	1.50%	0.17%	XG2
January 1, 2015	11,170,000	5.00	0.25	XH0
July 1, 2015	10,870,000	3.00	0.32	XJ6
January 1, 2016	10,605,000	4.00	0.47	XK3
July 1, 2016	10,260,000	5.00	0.55	XL1
January 1, 2017	10,095,000	5.00	0.73	XM9
July 1, 2017	10,005,000	5.00	0.87	XN7
January 1, 2018	9,540,000	5.00	1.11	XP2
July 1, 2018	9,140,000	5.00	1.26	XQ0
January 1, 2019	8,270,000	5.00	1.53	XR8
July 1, 2019	7,590,000	5.00	1.73	XS6
January 1, 2020	7,075,000	5.00	1.99	XT4
July 1, 2020	6,380,000	5.00	2.13	XU1
January 1, 2021	375,000	4.00	2.38	XV9
January 1, 2021	4,385,000	5.00	2.38	YB2
July 1, 2021	3,450,000	5.00	2.49	XW7
January 1, 2022	3,365,000	4.00	2.64	XX5
July 1, 2022	3,255,000	5.00	2.71	XY3
January 1, 2023	2,585,000	5.00	2.85	XZ0
July 1, 2023	1,905,000	5.00	2.91	YA4

## **REGARDING THIS OFFICIAL STATEMENT**

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Loop Capital Markets LLC and Ramirez & Co., Inc. (the "Underwriters") have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Series 2013 Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the State, the Authority or IEPA. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the original offering of the Series 2013 Bonds or an offer to sell or solicitation of offers to buy, nor will there be any sale of the Series 2013 Bonds, by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or IEPA since the date hereof. To the extent that any statements made in this Official Statement involve matters of forecasts, projections, opinions, assumptions or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized.

THE SERIES 2013 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE SERIES 2013 BONDS FOR SALE.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2013 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

## **ILLINOIS FINANCE AUTHORITY**

### **Management Personnel**

Executive Director..... Christopher B. Meister  
Deputy Director..... Sohair Omar  
Vice President and Acting General Counsel ..... Pamela A. Lenane  
Chief Financial Officer..... Dennis O. Anosike  
Vice President ..... Richard K. Frampton

## **ILLINOIS ENVIRONMENTAL PROTECTION AGENCY**

### **Management Personnel**

Director ..... Lisa Bonnett  
Chief Legal Counsel..... John J. Kim  
Chief Financial Officer..... Carol Radwine  
Chief Bureau of Water ..... Marcia T. Willhite

### **BOND COUNSEL**

Katten Muchin Rosenman LLP  
Chicago, Illinois

### **AUTHORITY COUNSEL**

Mayer Brown LLP  
Chicago, Illinois

### **FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Chicago, Illinois

### **MASTER TRUSTEE**

Amalgamated Bank of Chicago  
Chicago, Illinois



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**\$141,700,000**  
**ILLINOIS FINANCE AUTHORITY**  
**STATE OF ILLINOIS CLEAN WATER INITIATIVE REVOLVING FUND REVENUE BONDS,**  
**SERIES 2013**

**INTRODUCTION**

*The following information is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed a determination of relevance, materiality or relative importance and this Official Statement, including the cover page and Appendices, should be read in its entirety. The offering of the Series 2013 Bonds to potential investors is made only by means of this entire Official Statement.*

**Purpose of the Official Statement**

This Official Statement, which includes the cover page and the Appendices attached hereto, provides information in connection with the offer and sale by the Illinois Finance Authority (the "Authority"), a body politic and corporate, duly organized and validly existing under the laws of the State of Illinois (the "State"), of its \$141,700,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013 (the "Series 2013 Bonds").

**Authority for the Series 2013 Bonds**

The Series 2013 Bonds are being issued by the Authority pursuant to the Illinois Finance Authority Act, 20 ILCS 3501 (the "Authority Act"); an authorizing resolution adopted by the Authority on October 8, 2013 (the "Bond Resolution"); and a Master Trust Agreement, dated as of November 1, 2013 (the "Master Agreement") between the Authority and Amalgamated Bank of Chicago, an Illinois State banking corporation, as master trustee (the "Master Trustee"), as supplemented by the First Supplemental Master Trust Agreement dated as of November 1, 2013 (the "First Supplemental Master Trust Agreement"; the Master Agreement, as amended and supplemented is referred to herein as the "Master Trust Agreement"), between the Authority and the Master Trustee.

The Series 2013 Bonds are the first series of bonds to be secured by the Master Trust Agreement. The Series 2013 Bonds and any bonds in one or more series, relating to the Clean Water Program or the Drinking Water Program, or both, issued and secured by the Master Trust Agreement are collectively referred to as "Bonds." The Master Trust Agreement also permits under certain terms provided therein, the Authority to secure other indebtedness in addition to the Bonds (the "Additional Indebtedness").

**Purpose of Bonds**

The proceeds of the Series 2013 Bonds will be used (i) to fund loans made by the Illinois Environmental Protection Agency ("IEPA") to units of local government in the State to finance eligible wastewater treatment and sanitary sewerage facilities and drinking water facilities pursuant to the funding of the State Match Portion (as defined herein) for federal fiscal years 2011, 2012 and 2013, (ii) to refund outstanding bonds of the Authority for the benefit of IEPA's clean water and drinking water programs, and (iii) to pay costs of issuance, all as more fully described herein. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

A portion of the Series 2013 Bonds will be comprised of the State Match Portion issued for the Clean Water Program or the Drinking Water Program (the "State Match Portion").

**Security and Source of Payment For the Series 2013 Bonds**

The Series 2013 Bonds, together with all principal and interest thereon and premium, if any, with respect thereto, are limited obligations of the Authority secured by (i) all Pledged Agreements (defined herein) which may

from time to time be assigned to or held by the Master Trustee under the terms of the Master Trust Agreement (other than Loan Support Fees due under the Pledged Agreements); (ii) all moneys, securities and earnings thereon in all funds established under the Master Trust Agreement, except for moneys deposited in the Rebate Fund and moneys deposited with or paid to the Master Trustee for the redemption of Bonds except that moneys representing the repayment of principal of the Grant Proceeds shall not be pledged to or used for the payment of the State Match Portion of any Bonds issued hereunder; and (iii) any and all other moneys and securities furnished from time to time to the Master Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Master Trustee under the terms of the Master Trust Agreement.

On the date of issuance of the Series 2013 Bonds, the Pledged Agreements will be assigned by IEPA to the Authority pursuant to an Assignment of Loans (the "Assignment") and will be pledged to the Master Trustee pursuant to the Master Trust Agreement to secure payment of the Series 2013 Bonds and any Additional Indebtedness.

The Series 2013 Bonds are not general obligations of the Authority but are payable solely from all amounts payable to the Authority pursuant to the Pledged Agreements (but excluding Loan Support Payments), and all investment earnings on moneys available to pay debt service on the Bonds (the "Revenues") or other amounts pledged under the Master Trust Agreement. The Series 2013 Bonds are secured by said Revenues, except that the State Match Portion of the Series 2013 Bonds shall not be paid from moneys derived from the repayment of principal of any Loan or Grant Proceeds. The Series 2013 Bonds shall never constitute an indebtedness of the Authority within the meaning of any constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS."

#### **SRF Programs**

The Water Revolving Fund held by the State Treasurer (the "Water Revolving Fund") consists of (i) the Water Pollution Control Loan Program (the "Clean Water Program") established under authority granted in the Water Quality Act of 1987, which amended the Clean Water Act of 1972 (as amended, the "Clean Water Act") and (ii) the Public Water Supply Loan Program (the "Drinking Water Program" and collectively with the Clean Water Program, the "SRF Programs") established under authority granted in the Federal Safe Drinking Water Act Amendments of 1996 (the "Safe Drinking Water Act"). The SRF Programs are operated by the Illinois Environmental Protection Agency ("IEPA").

As of June 30, 2013, IEPA had made 708 loans pursuant to the Clean Water Program, and had more than 520 Clean Water Program loans outstanding (approximately \$1.924 billion). As of June 30, 2013, IEPA had made 444 loans pursuant to the Drinking Water Program, and had more than 400 Drinking Water Program loans outstanding (approximately \$561 million). These loans have been financed by federal capitalization grants, State matching funds, SRF Programs repayments and from the proceeds of the Prior Bonds. See "STATE OF ILLINOIS SRF PROGRAMS" herein.

In February 2012, Governor Pat Quinn announced the \$1 billion "Clean Water Initiative to Expand Funding for Wastewater and Drinking Water Projects for Illinois Communities" (the "Clean Water Initiative"). The Clean Water Initiative makes \$1 billion available through the Water Revolving Fund, in partnership with the Authority, in low-cost loans to local governments for qualified wastewater and drinking water capital projects, helping communities comply with U.S. Environmental Protection Agency's ("USEPA") guidelines and standards, address critical infrastructure needs and stimulate local economic development. The Illinois Department of Commerce and Economic Opportunity is assisting IEPA and the Authority with the marketing of the SRF Programs, including coordinating outreach events to promote the SRF Programs to potential participants. A portion of the State Match Portion will be used to support the Clean Water Initiative. See "PLAN OF FINANCE."

Information concerning SRF Programs for State fiscal year 2012 are presented in APPENDIX B — "STATE OF ILLINOIS ENVIRONMENTAL PROTECTION AGENCY FINANCIAL AUDIT FUND 270-WATER REVOLVING FUND FOR THE YEAR ENDED JUNE 30, 2012."

## **Limited Obligations**

The Series 2013 Bonds and the obligation to pay principal and interest thereon and any premium with respect thereto do not now and shall never constitute an indebtedness or an obligation of the Authority, the State or any political subdivision thereof, within the purview of any constitutional or statutory limitation or provision, or a charge against the general credit or taxing powers, if any, of any of them, but shall be secured as aforesaid, and shall be payable solely from the revenues and income derived from the Pledged Agreements, and the funds and accounts under the Master Trust Agreement. No owner of the Series 2013 Bonds shall have the right to compel the exercise of the taxing power, if any, of the Authority, the State or any political subdivision thereof to pay any principal installment of, redemption premium, if any, or interest on the Series 2013 Bonds. The Authority does not have the power to levy taxes for any purposes whatsoever.

## **Additional Information**

This Official Statement contains brief descriptions of the SRF Programs, the Pledged Agreements (as defined herein), the Participants, the Series 2013 Bonds, the Master Trust Agreement, the Authority, IEPA and certain other matters. All references herein to any document are qualified by the terms of such document in its entirety. Certain capitalized terms used herein and in the Master Trust Agreement are defined in APPENDIX A attached hereto.

## **STATE OF ILLINOIS SRF PROGRAMS**

### **Federal Statutory Framework**

The Clean Water Act provides for the establishment of state revolving fund loan programs, the funds of which are to be used to provide financial assistance to various entities in connection with the construction of systems for the storage, treatment, recycling and reclamation of sewage and certain other qualified water pollution control projects. The Clean Water Act requires, as a condition for the receipt of certain federal financial assistance, that each state establish a state revolving loan fund to receive the proceeds of federal capitalization grants. As part of the Clean Water Act, states are also required to provide state matching funds equal to twenty percent of each federal capitalization grant to receive capitalization grants from EPA for Clean Water Program Projects. The Clean Water Program satisfies the criteria of the Clean Water Act and entitles IEPA to receive capitalization grants from EPA for Clean Water Program Projects.

The Safe Drinking Water Act provides for the establishment of state revolving fund loan programs, the funds of which are used to provide financial assistance to various units of local governments and certain private community water suppliers in connection with the construction of qualified drinking water projects. Under each state revolving fund loan program, a state revolving loan fund is created to receive federal capitalization grants and, as in the case of the Clean Water Act, states are required to provide state matching funds equal to twenty percent of each federal capitalization grant made under the Safe Drinking Water Act. The Drinking Water Program satisfies the criteria of the Safe Drinking Water Act and entitles IEPA to receive capitalization grants from EPA for Drinking Water Program Projects.

The State created the Clean Water Program in 1988 to implement the provisions of Title VI of the Clean Water Act. The Clean Water Program is administered by IEPA pursuant to the Illinois Environmental Protection Act, as supplemented and amended (the "State Act"). The Clean Water Program was established as a revolving fund to accept federal capitalization grants and the required twenty percent State Match for the purpose of making low interest loans ("CWSRF Loans") to units of local government ("Clean Water Participants") to finance the construction of wastewater treatment works. IEPA operated the Clean Water Program as a direct loan program from its inception until 2002, when the Prior Bonds were issued to leverage available loan funds. To date, IEPA has made 708 CWSRF Loans to Clean Water Participants totaling approximately \$3.60 billion, approximately \$1.924 billion of which are outstanding. No payment defaults have occurred with respect to any of the CWSRF Loans.

In response to the Safe Drinking Water Act, the State Act was amended in 1996 to establish the Drinking Water Program within the Water Revolving Fund. The Drinking Water Program is administered by IEPA pursuant

to the State Act to accept federal capitalization grants and the required twenty percent State match for the purpose of making low interest loans ("DWSRF Loans" and collectively with CWSRF Loans, the "Loans") to units of local government and certain private community water suppliers ("Drinking Water Participants" and together with Clean Water Participants, as applicable, the "Participants") to finance the construction of drinking water facilities. IEPA operated the Drinking Water Program as a direct loan program from its inception until 2002, when the Prior Bonds were issued to leverage available loan funds. To date, IEPA has made 444 DWSRF Loans to Drinking Water Participants totaling approximately \$900 million, approximately \$561 million of which are outstanding. No payment defaults have occurred with respect to any of the DWSRF Loans.

Federal law allows for the cross-collateralization of the assets of the Clean Water Program and the Drinking Water Program. The SRF Program has been structured to provide cross-collateralization through the Master Trust Agreement. See "STATE OF ILLINOIS SRF PROGRAMS — Cross Collateralization."

The Clean Water Act and the Safe Drinking Water Act currently authorize the federal government to provide annual funding for the Water Revolving Fund, in the form of appropriations that provide federal capitalization funding for the SRF Programs. There can be no assurance that continued funding by the federal government for the SRF Programs will be appropriated and if so appropriated, will be appropriated at current levels.

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The following table presents the historical funding sources for the Illinois Clean Water Program and Drinking Water Program.

**Historical Funding Sources  
Illinois SRF Programs  
As of September 30, 2013**

Years	Clean Water Capitalization Grants	State Match*
1988-1995	\$ 435,000,000	\$ 87,000,000
1996-1997	145,000,000	29,000,000
1998-2005	504,606,990	100,921,398
2006-2007 partial	40,159,515	8,031,903
2007-2009	109,402,360	21,880,472
2010	92,149,000	18,429,800
2011	66,784,000	13,356,800 <sup>†</sup>
2012	63,919,000	12,783,800 <sup>†</sup>
2013	60,382,000	12,076,400 <sup>†</sup>
Totals	<u>\$1,517,402,865</u>	<u>\$303,480,573</u>

Years	Drinking Water Capitalization Grants	State Match*
1998-2005	\$265,062,900	\$53,012,580
2006	33,566,500	6,713,300
2007	33,567,000	6,713,400
2008	8,983,775	1,796,755
2008	24,242,225	4,848,445
2009	33,226,000	6,645,200
2010	9,324,275	1,864,855
2010	41,905,725	8,381,145
2011	35,549,000	7,109,800 <sup>†</sup>
2012	34,209,000	6,841,800 <sup>†</sup>
2013	31,786,000	6,357,200 <sup>†</sup>
Totals	<u>\$551,422,400</u>	<u>\$110,284,480</u>

**State Match Portion/Clean Water Program Portions and Drinking Water Program Portions**

EPA requires states to keep the accounting and financial records for each program established under the Clean Water Act and the Safe Drinking Water Act separate. In addition, under the Clean Water Act and Safe Drinking Water Act, states are required to provide matching funds equal to twenty percent (20%) of the amount

\* Prior to 2011, the State Match has historically been funded from appropriations from the General Revenue Fund of the State or from the proceeds of the sale of State general obligation bonds.

<sup>†</sup> State Match will be funded from proceeds of the Series 2013 Bonds.

received in federal capitalization grants for each such program (the "State Match"). As a result of these requirements, any particular maturity of Bonds and any particular Bond may be comprised of both a Clean Water Program portion and a Drinking Water Program portion, and each such portion may be further subdivided into a state match portion and a leveraged portion.

The Clean Water Act and the Safe Drinking Water Act prohibit the use of principal repayments on the Pledged Agreements or federal capitalization grant proceeds to repay a State Match obligation. As a result, the principal repayments received under the Pledged Agreements shall be used to pay amounts due on the Leveraged Portions of the Series 2013 Bonds and the interest payments received under the Pledged Agreements and investment earnings shall be used to pay amounts due on the State Match Portion of the Series 2013 Bonds. Any remaining interest payments received under the Pledged Agreements and investment earnings which were not needed to satisfy the debt service due on the State Match Portion may be used along with principal repayments under the Pledged Agreements to pay the debt service due on the Leveraged Portions of the Series 2013 Bonds. The Master Trust Agreement requires that principal payments received under the Clean Water Program portion of the Pledged Agreements and investment earnings on the Clean Water Program only be used to pay the debt service due on the Clean Water Program portions of the Series 2013 Bonds. Likewise, the Master Trust Agreement requires the principal payments received under the Drinking Water portion of the Pledged Agreements and investment earnings on the Drinking Water Program only be used to pay the debt service due on the Drinking Water Program portions of the Series 2013 Bonds. The Master Trust Agreement permits cross-collateralization of the Clean Water Program and the Drinking Water Program. See "STATE OF ILLINOIS SRF PROGRAMS — Cross Collateralization."

#### **Loan Application Process; Loan Monitoring**

While there are slight differences between the Clean Water Program and the Drinking Water Program, the Loan application processes are similar. In order to qualify for funding from a SRF Program, a project must be listed on IEPA's Project Priority Lists of eligible water quality projects and eligible drinking water projects (each, a "Priority List"), which sets forth the projects expected or proposed to receive financial assistance under the SRF Programs. Each project is ranked on the applicable Priority List based on its Loan Priority Index ("LPI") calculated by the IEPA. The LPI for projects in the Drinking Water Program is calculated as a function of existing populations served by the proposed project, project need (based on existing drinking water quality), financial hardship in the project area, steps taken by the applicant to protect source water or promote water conservation and whether the project will serve a small community. For Clean Water Program projects, the LPI is calculated by class based on the financial impact of the project and, whether the project is intended to provide new wastewater collection service, expand existing capacity, upgrade or renovate existing facilities or reduce flooding. Other factors considered include existing water quality, organic load, health hazard, facilities condition and utilization, potential economic benefit and operating excellence of existing facilities.

Once a project is placed on the applicable Priority List, the potential Participant must file an application with IEPA for financial assistance for such project. The application is reviewed by IEPA to determine that the proposed project addresses the needs identified in the approved plan; compliance with regulatory and statutory requirements; project administration, which determines if the project is eligible for funding in accordance with state and federal regulations; environmental aspects; and financial capability, which analyzes an applicant's ability to repay the Loan. IEPA determines whether, and on what terms and conditions, financial assistance will be provided.

Potential Participants must dedicate and pledge a source of revenue or taxes to make Loan Repayments. Prior to approval of the Loan application, the IEPA will review the proposed source of payment to assure that it will generate revenues adequate to meet the Loan repayments and provide a continuing source of revenue adequate to make Loan repayments for the term of the Loan. All necessary legislative enactments of the Participant to dedicate and pledge the source of revenue must be in place before any Loan disbursement. Each Participant shall, for the term of its Loan, review and adjust the dedicated source of revenue as necessary to provide adequate funds for the repayment of the Loan.

Attached as APPENDIX C is a schedule of the Pledged Agreements to be pledged to secure payment of the Series 2013 Bonds. The Pledged Agreements presented in that schedule exclude: (i) all ARRA loans or other loans with 0% interest rates; (ii) any Agreement which has been previously restructured; (iii) any Agreement which has made a payment more than 15 days after its payment date; (iv) any Agreement which results in a pledged



concentration of more than 20% by any one borrower; and (v) any Agreement which may be prepaid in the immediate future.

Once a Loan is made, IEPA produces invoices and Loan payments are remitted by the Participant to the Master Trustee. IEPA receives semiannual repayments throughout the year. To the extent IEPA does not receive a Loan repayment, it sends a formal notice of delinquency promptly if a payment is more than 15 days in arrears. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS—Flow of Funds."

#### **Loan Payments; Loan Support Fees Not Pledged to Series 2013 Bonds**

The Clean Water Program and the Drinking Water Program are operated in a similar manner. Currently, the only set-aside being utilized by IEPA in connection with federal capitalization grants for either Program is the allowable four percent administrative set aside for Drinking Water Program administrative expenses, which IEPA expects to continue. The State Match funds for each Program have historically been funded from appropriations from the General Revenue Fund of the State or from the proceeds of the sale of State general obligation bonds. Each Participant in the Clean Water Program and the Drinking Water Program is required to enter into a loan agreement with IEPA (an "Agreement"), obligating the Participant to repay amounts disbursed under the Agreement and interest and the Loan Support Fees (as defined below). See "STATE OF ILLINOIS SRF PROGRAMS."

IEPA assigns to each Loan a fixed loan rate (the "Fixed Loan Rate") at the time a Loan is made to a Participant. The Fixed Loan Rate is comprised of an interest portion and a loan support portion (the "Loan Support Fees"). The Fixed Loan Rate is computed annually using the mean interest rate of the 20-Bond General Obligation Index, as published weekly by *The Bond Buyer*, from October 1 to September 30 of the preceding fiscal year rounded to the nearest one hundredth of a percent and multiplied by 50 percent. There is no statutory maximum and no minimum Fixed Loan Rate. The Fixed Loan Rate presently is 1.995%.

Under the State Act, the Loan Support Fees can be no higher than 50 percent of the Fixed Loan Rate. The Loan Support Fees for all outstanding Pledged Agreements are currently equal to 50 percent, the maximum rate, of the Fixed Loan Rates established for such Pledged Agreements.

Loan Support Fees are not pledged as security for the Series 2013 Bonds. Each month the Master Trustee transfers all such fees to the IEPA. Loan Support Fees are primarily used by IEPA for clean water and drinking water activities which support the SRF Programs, including administrative expenses for related program activities. The Loan Support Fees are established annually by IEPA.

#### **Cross Collateralization**

The Authority may deliver at any time to the Master Trustee an Officer's Certificate pursuant to which the Authority can direct the transfer of funds or the allocation of liabilities within a Drinking Water Account to a Clean Water Account of any fund or the allocation of liabilities within a Clean Water Account to a Drinking Water Account of any fund so long as such transfer is consistent with the Act, the Water Quality Act and the Safe Drinking Water Act. In addition, any moneys, funds, revenues or other assets in any funds, accounts or subaccounts created the Master Trust Agreement may be used to pay debt service with respect to any Bonds outstanding pursuant to the Master Trust Agreement (except as limited by the Master Trust Agreement) in a manner consistent with the Act, the Water Quality Act and the Safe Drinking Water Act.

#### **Federal and State Regulation**

The precise nature and extent of future governmental regulation and the resulting impact of such regulation on the operation of each Participant's water or wastewater system cannot now be determined. Each Participant has covenanted in its Agreement to comply with all such governmental regulation. Various other state and federal laws and regulations apply to the operations of the various Participant systems. There is no assurance that there will not be any change in, modified interpretation of, or addition to such applicable laws, provisions, and regulations which could have a material adverse effect, either directly or indirectly, on the operation of such systems.

## **Investment Policy**

The proceeds of the Series 2013 Bonds and other funds established under the Master Trust Agreement may be invested by the Authority in accordance with the Illinois Public Funds Investment Act and the terms of the Master Trust Agreement. The Illinois Public Funds Investment Act may change from time to time without notice to or consent from the holders of the Series 2013 Bonds.

## **PLAN OF FINANCE**

### **General**

The proceeds of the Series 2013 Bonds shall be used to (i) fund the State Match Portion for federal fiscal years 2011, 2012 and 2013 of loans made by IEPA to units of local government in the State to finance eligible wastewater treatment and sanitary sewerage facilities and drinking water facilities, (ii) refund the Illinois Development Finance Authority State of Illinois Revolving Fund Revenue Bonds, Series 2002 (Master Trust) outstanding in the principal amount of \$41,850,000 (the "Series 2002 Bonds"), at a redemption price of 100%, together with accrued interest, (iii) advance refund the Illinois Finance Authority State of Illinois Revolving Fund Revenue Bonds, Series 2004 (Master Trust) (the "Series 2004 Bonds") maturing on and after March 1, 2015 (the "Callable Series 2004 Bonds"), at a redemption price of 102%, together with accrued interest, (iv) refund the Series 2004 Bonds maturing in 2014 (the "Noncallable Series 2004 Bonds") at maturity and (v) pay for costs associated with the issuance of the Series 2013 Bonds. For further detail, see "SOURCES AND USES OF FUNDS." The Series 2002 Bonds and the Series 2004 Bonds are referred herein as the "Prior Bonds."

*State Match Portion.* The State Match Portion of the Series 2013 Bond proceeds, along with other available funds, will meet the state match requirement of approximately \$58.5 million for the federal fiscal years 2011, 2012 and 2013, pursuant to federal capitalization grants to be received for the Clean Water Program and Drinking Water Program under separate Capitalization Grant Agreements (the "Capitalization Agreements") in the anticipated aggregate grant amount of \$292.629 million. See "SOURCES AND USES OF FUNDS." The portion of the proceeds of the Series 2013 Bonds used to fund new loans shall be further apportioned as (i) a State Match Clean Water Portion; and (ii) a State Match Drinking Water Portion, all of which are subject to adjustment as set forth in an Officer's Certificate.

In February 2012, Governor Pat Quinn announced the \$1 billion Clean Water Initiative. The Clean Water Initiative makes \$1 billion available through the Water Revolving Fund, in partnership with the Authority, in low-cost loans to local governments for qualified wastewater and drinking water capital projects, helping communities comply with USEPA guidelines and standards, address critical infrastructure needs and stimulate local economic development. The Illinois Department of Commerce and Economic Opportunity is assisting IEPA and the Authority with the marketing of the SRF Programs, including coordinating outreach events to promote the SRF Programs to potential participants. A portion of the State Match Portion will be used to support the Clean Water Initiative. See "PLAN OF FINANCE."

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*Defeasance and Refunding.* The Prior Bonds to be refunded or redeemed and cancelled are described in the following chart:

<b>Series</b>	<b>Outstanding/ Refunded/Redeemed Par Amount</b>	<b>Expected Redemption Date</b>	<b>Redemption Price</b>
Series 2002 Bonds	\$41,850,000	January 8, 2014	100%
Non-Callable Series 2004 Bonds: 2014 Maturities	7,725,000	N/A	N/A
Callable Series 2004 Bonds	49,545,000	September 1, 2014	102%

On the date of issuance of the Series 2013 Bonds provision will be made for the payment of the Prior Bonds and the pledges and liens securing the Prior Bonds will be defeased by the deposit in trust (the "Escrow Deposit") with the trustee for the Prior Bonds of non-callable, direct and general obligations of the United States of America the scheduled principal of and interest on which, together with an initial cash deposit, will be sufficient to provide for the punctual payment when due of the following (the "Escrow Requirements"):

- (i) the redemption price of each Series 2002 Bond (being 100% of the principal amount thereof) on its redemption date of January 8, 2014;
- (ii) the principal amount of each Non-Callable Series 2004 Bond on its respective maturity date;
- (iii) the redemption price of each Callable Series 2004 Bond (being 102% of the principal amount thereof) on its redemption date of September 1, 2014; and
- (iv) the interest due on each Prior Bond on each interest payment date to and including its maturity date in the case of each Non-Callable Series 2004 Bond and to and including its redemption date in the case of each Series 2002 Bond and each Callable Series 2004 Bond.

The sufficiency of the Escrow Deposit to provide for the punctual payment of the Escrow Requirements will be verified by the Verification Report, dated as of the date of issuance of the Series 2013 Bonds, of Causey Demgen & Moore P.C., certified public accountants.

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## SOURCES AND USES OF FUNDS

The following sets forth a summary of the estimated sources and uses of funds relating to the issuance of the Series 2013 Bonds (subject to adjustment as set forth in an officer's certificate):

### Sources of Funds

Par Amount of Bonds	\$141,700,000
Original Issue Premium	16,874,821
Funds Held by Trustee for Prior Bonds	5,100,898
Total	<hr/> \$163,675,719

### Uses of Funds

Loan Origination Fund*	\$ 58,525,800
Refund Prior Bonds	103,720,433
Costs of Issuance (including Underwriters' Discount)	1,429,486
Total	<hr/> \$163,675,719

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\* As noted herein, amounts deposited in the Loan Origination Fund will be used, along with other available funds, to meet the State Match requirement of approximately \$58.5 million for the federal fiscal years 2011, 2012 and 2013. See the table titled "Historical Funding Sources" under "STATE OF ILLINOIS SRF PROGRAMS."

## PROJECTED CASH FLOW AND DEBT SERVICE TABLE

### Projected Debt Service Coverage for the Series 2013 Bonds

The table on the following page sets forth the projected cash flow on the Pledged Agreements. Each Projected Debt Service Coverage Ratio is based upon certain assumptions. Actual events may vary from those assumptions and such variations may be material and adverse. In preparing a Projected Debt Service Coverage Ratio, IEPA assumes no future defaults on Pledged Agreements. No assurances can be given that actual revenues for any Bond Year will be received as predicted. The preparation of a Projected Debt Service Coverage Ratio does not constitute a representation by IEPA that the projected revenues will be realized or will be received at the time or in the amounts set forth in the Projected Debt Service Coverage Ratio.

The projected cash flow is dependent on the Participants making timely payment on their respective Pledged Agreements. The projected cash flow and debt service table which follows presents on a semi-annual basis the projected amounts of total income (from repayments of Pledged Agreements and investment earnings) and debt service on the Series 2013 Bonds. All such income and debt service amounts are estimates, subject to change, and are based upon various assumptions, among others, concerning the amounts, timing, interest rates and repayment schedules for the Pledged Agreements, the amounts available for investment and the interest earnings on investment funds and timely payment by all Participants. The table on the following page also assumes that the Series 2013 Bonds are the only Bonds issued under and secured by the Master Trust Agreement. Columns in such table may not sum due to rounding.

While satisfying certain Projected Debt Service Coverage Ratio tests is a precondition to issuing Additional Indebtedness and to withdrawing monies from the Equity Fund under the Master Trust Agreement, failure to maintain any level of coverage is not a default under the Master Trust Agreement.

### PROJECTED DEBT SERVICE COVERAGE FOR THE SERIES 2013 BONDS

	<u>Loan Repayments*</u>	<u>Total Debt Service</u>	<u>Projected Debt Service Coverage Ratio</u>
7/1/2014	\$64,956,716	\$14,999,792	4.33x
1/1/2015	65,270,713	14,247,575	4.58
7/1/2015	65,302,519	13,668,325	4.78
1/1/2016	64,537,786	13,240,275	4.87
7/1/2016	64,084,615	12,683,175	5.05
1/1/2017	64,253,599	12,261,675	5.24
7/1/2017	63,843,498	11,919,300	5.36
1/1/2018	63,623,573	11,204,175	5.68
7/1/2018	62,977,232	10,565,675	5.96
1/1/2019	62,219,632	9,467,175	6.57
7/1/2019	61,669,463	8,580,425	7.19
1/1/2020	60,866,991	7,875,675	7.73
7/1/2020	59,976,798	7,003,800	8.56
1/1/2021	58,802,843	5,224,300	11.26
7/1/2021	57,772,146	3,797,175	15.21
1/1/2022	56,557,405	3,625,925	15.60
7/1/2022	54,865,746	3,448,625	15.91
1/1/2023	53,867,343	2,697,250	19.97
7/1/2023	53,281,619	1,952,625	27.29

\* Loan Repayments may in the future include a positive return on investments. The Authority and IEPA have assumed a 0% return on investments for purposes of this table.

## THE SERIES 2013 BONDS

### General

The Series 2013 Bonds will be issued as fully registered bonds in book-entry form in the denominations of \$5,000 or any integral multiple thereof. See APPENDIX G — “BOOK-ENTRY ONLY SYSTEM” herein. The Series 2013 Bonds will be dated the date of delivery. The Series 2013 Bonds will mature on the dates and will bear interest at the interest rates per annum set forth on the inside cover hereof. Each Bond shall bear interest from the date of delivery of the Series 2013 Bonds or from the most recent date to which interest has been paid or duly provided for, payable semiannually on January 1 and July 1 of each year, commencing July 1, 2014 (hereinafter an “Interest Payment Date”). Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the interest on any Bond shall be made to the person appearing on the Bond Register as the Bondholder thereof as of the commencement of business of the Master Trustee on the Record Date for such Interest Payment Date, and shall be paid by check or draft of the Master Trustee mailed to such Bondholder at such Bondholder’s address as it appears on the Bond Register or at such other address as is furnished to the Master Trustee in writing by such Bondholder.

### Redemption Provisions

The federal Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”) imposes additional requirements and conditions for the interest on bonds, such as the Series 2013 Bonds, issued for pooled financing programs to be and remain exempt from federal income taxation. Among those requirements are provisions requiring the redemption of bonds if certain amounts of the bond proceeds are not used for loans within certain prescribed periods. In particular, the Code requires:

- (i) the issuer to reasonably expect (1) to use, directly or indirectly, within the one-year period beginning on the date of issue, at least 30 percent of the net proceeds of the issue to make loans; and (2) to use, directly or indirectly, within the three-year period beginning on the date of issue, at least 95 percent of the net proceeds of the issue; and
- (ii) the issuer to redeem outstanding bonds within 90 days after the end of such one-year period and three-year period, as applicable, to the extent of, and in an amount equal to the unused proceeds, i.e. the difference between the amount actually used and an amount equal to such applicable percentage.

(a) *Extraordinary Mandatory Redemption.* The following extraordinary mandatory redemption provisions implement the TIPRA requirements:

*One-Year Extraordinary Mandatory Redemption.* The Series 2013 Bonds maturing on and after July 1, 2015, are subject to extraordinary mandatory redemption prior to their scheduled maturities, on February 2, 2015 (the “One-Year Extraordinary Mandatory Redemption Date”), in part, in an amount equal to the One-Year Computation Amount, at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the Series 2013 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2013 Bonds so redeemed, plus accrued interest to the One Year Extraordinary Mandatory Redemption Date.

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>CUSIP Base: 45203H</b>	<b>Redemption Price</b>
July 1, 2015	3.00%	XJ6	103.129%
January 1, 2016	4.00	XK3	105.279
July 1, 2016	5.00	XL1	108.383
January 1, 2017	5.00	XM9	110.262
July 1, 2017	5.00	XN7	112.039
January 1, 2018	5.00	XP2	113.344
July 1, 2018	5.00	XQ0	114.706
January 1, 2019	5.00	XR8	115.394
July 1, 2019	5.00	XS6	116.113
January 1, 2020	5.00	XT4	116.302
July 1, 2020	5.00	XU1	116.892
January 1, 2021	4.00	XV9	111.062
January 1, 2021	5.00	YB2	116.658
July 1, 2021	5.00	XW7	117.087
January 1, 2022	4.00	XX5	110.711
July 1, 2022	5.00	XY3	117.590
January 1, 2023	5.00	XZ0	117.436
July 1, 2023	5.00	YA4	117.804

*“One-Year Computation Amount”* means the surplus proceeds (rounded to the next higher integral multiple of \$5,000) equal to thirty percent (30%) of the Net Proceeds (defined to mean the amounts received from the sale of the Series 2013 Bonds and deposited into the 2013 Subaccounts of the Loan Origination Fund) less the aggregate amount withdrawn from the 2013 Subaccounts of the Loan Origination Fund by December 5, 2014.

*Three-Year Extraordinary Mandatory Redemption.* The Series 2013 Bonds maturing on and after July 1, 2017, are subject to extraordinary mandatory redemption prior to their scheduled maturities, on February 1, 2017 (the “Three-Year Extraordinary Mandatory Redemption Date”), in part, in an amount equal to the Three-Year Computation Amount, at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the Series 2013 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2013 Bonds so redeemed, plus accrued interest to the Three Year Extraordinary Mandatory Redemption Date.

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>CUSIP Base: 45203H</b>	<b>Redemption Price</b>
July 1, 2017	5.00%	XN7	103.747%
January 1, 2018	5.00	XP2	105.607
July 1, 2018	5.00	XQ0	107.337
January 1, 2019	5.00	XR8	108.658
July 1, 2019	5.00	XS6	109.859
January 1, 2020	5.00	XT4	110.655
July 1, 2020	5.00	XU1	111.595
January 1, 2021	4.00	XV9	108.142
January 1, 2021	5.00	YB2	111.934
July 1, 2021	5.00	XW7	112.642
January 1, 2022	4.00	XX5	108.354
July 1, 2022	5.00	XY3	113.691
January 1, 2023	5.00	XZ0	113.859
July 1, 2023	5.00	YA4	114.393

*“Three-Year Computation Amount”* means the surplus proceeds (rounded to the next higher integral multiple of \$5,000) equal to ninety-five percent (95%) of the Net Proceeds (defined to mean the amounts received from the sale of the Series 2013 Bonds and deposited into the 2013 Subaccounts of the Loan Origination Fund), less the aggregate amount withdrawn from the 2013 Subaccounts of the Loan Origination Fund by December 5, 2016.

The foregoing notwithstanding, the Series 2013 Bonds shall not be subject to any such extraordinary mandatory redemption if the Authority obtains an opinion of nationally-recognized bond counsel to the effect that the failure by the Authority to cause any such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on the Series 2013 Bonds from gross income for federal income tax purposes.

For purposes of the One-Year and Three-Year Extraordinary Mandatory Redemption of Series 2013 Bonds, the Series 2013 Bonds subject to such redemption shall be selected on a "Pro-Rata Basis"; provided, that if any amount required to be redeemed remains after such selection, such remaining amount shall be applied to the redemption of \$5,000 principal amount of each maturity of Series 2013 Bonds in inverse order of maturity. The term "Pro-Rata Basis" means that the principal amount of Series 2013 Bonds of a particular maturity shall be determined by multiplying the applicable Computation Amount by the ratio which the principal amount of Series 2013 Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2013 Bonds then outstanding and subject to redemption.

The Redemption Price with respect to the extraordinary mandatory redemption of any Series 2013 Bond required hereby shall be paid from funds on deposit in the Loan Origination Fund and from funds in the Equity Fund, as provided in the Master Trust Agreement.

(b) *Selection of Series 2013 Bonds.* If less than all of the Series 2013 Bonds of like maturity are to be redeemed, the particular Bonds or portions of Bonds to be redeemed shall be selected prior to the date fixed for redemption, by the Master Trustee by lot. In making such selection, the Master Trustee shall treat each Bond to be redeemed as representing that number of Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination. If any Bond is to be redeemed in part, the portion to be so redeemed shall be in a principal amount of any authorized denomination.

(c) *Notice of Redemption.* When any Series 2013 Bonds, or portions thereof, are to be redeemed, the Master Trustee shall give notice of the redemption of the Series 2013 Bonds in the name of the Authority to the Holders of such Bonds which are to be redeemed specifying (i) the applicable Series to be redeemed; (ii) the redemption date and whether or not such redemption is conditioned on the deposit of sufficient funds with the Master Trustee; (iii) the Redemption Price; (iv) the numbers and other distinguishing marks of the Series 2013 Bonds, or portions thereof, to be redeemed (unless all the outstanding Bonds of any Series or maturity within a series are to be redeemed); (v) the place or places where amount due upon such redemption will be payable; and (vi) such other information as the Master Trustee shall deem necessary or appropriate to facilitate the redemption of such Bonds. Such notice shall further state that on such date there shall become due and payable upon each Series 2013 Bond, or portion thereof, to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest on any such Bonds, or portions thereof, shall cease to accrue, unless such notice was conditioned and the conditions had not been satisfied in which case the notice of redemption shall be void. Such notice shall be given by the Master Trustee by mailing a copy of such notice by first class or certified mail, postage prepaid, to the registered Holders of any Series 2013 Bonds or portions thereof to be redeemed at their last address appearing upon the registration books, such notice to be given not less than thirty (30) days or more than sixty (60) days before the redemption date. The obligation of the Master Trustee to give the notice shall not be conditioned upon the prior payment to the Master Trustee of moneys or Investment Obligations sufficient to pay the Redemption Price to which such notice relates or the interest thereon to the redemption date.

#### **Purchase in Lieu of Redemption**

The Authority may purchase or direct the Master Trustee to purchase the Series 2013 Bonds of any particular maturity in lieu of redemption of such Bonds. Such purchases shall be made at any time prior to the giving of notice of redemption to bondholders by the Master Trustee; *provided, however*, that the Authority may not purchase nor direct the Master Trustee to purchase the State Match Portion of the Series 2013 Bonds from moneys derived from the repayment of principal of any Loan or Grant Proceeds.

Notwithstanding the preceding paragraph, the Authority will not redeem, purchase or direct the purchase or redemption by the Master Trustee of any Bonds in whole or in part at a cost or price (including any brokerage fee or commission and other charges) which (i) exceeds the Redemption Price then applicable thereon plus accrued interest



to the redemption date if such Bonds are then redeemable, or (ii) would adversely affect the ability of the Authority to pay any other Bonds when due.

#### **Non-Presentation of Bonds**

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, if funds sufficient to pay such Bonds shall be held by the Master Trustee for the benefit of the holder or holders thereof, all liability of the Authority to the holder or holders thereof for the payment of such Bonds shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of the Master Trustee to hold such funds without liability for interest thereon, for the benefit of the holder or holders of such Bonds, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Master Trust Agreement or on, or with respect to, such Bonds. Provided, however moneys held by the Master Trustee for the payment of Bonds which shall remain unclaimed by the holder of such Bonds for a period of four years after the date on which such Bonds shall have become due and payable shall be paid to the Authority; provided, further, that the Master Trustee, before making any such payment shall send a letter to the last known address for such Bondholders that said moneys have not been claimed and that after a date named therein any unclaimed balance of said moneys the remaining will be returned to the Authority and thereafter the holders of such Bonds shall look only to the Authority for payment and then only to the extent of the amount so received without any interest thereon, and the Master Trustee shall have no responsibility with respect to such moneys.

### **SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS**

#### **General; Pledge of Revenues by the Authority; Non-impairment**

It is anticipated that principal and interest payments on the Pledged Agreements will be sufficient to pay the principal of and interest on the Series 2013 Bonds. The Authority's expectations are subject to and based upon, among other things, interest rates and amounts, realizing repayments on the Pledged Agreements at certain projected times and in certain amounts and certain investment income.

The Series 2013 Bonds, together with all principal and interest thereon and premium, if any, with respect thereto, are limited obligations of the Authority secured by the Pledged Agreements which may from time to time be assigned to or held by the Master Trustee under the terms of the Master Trust Agreement (other than Loan Support Fees due under the Pledged Agreements), and the funds and accounts noted under the Master Trust Agreement.

The Series 2013 Bonds and the obligation to pay principal and interest thereon and any premium with respect thereto do not now and shall never constitute an indebtedness or an obligation of the Authority, the State or any political subdivision thereof, within the purview of any constitutional or statutory limitation or provision, or a charge against the general credit or taxing powers, if any, of any of them, but shall be secured as aforesaid, and shall be payable solely from the revenues and income derived from the Pledged Agreements and the Master Trust Agreement. No owner of the Series 2013 Bonds shall have the right to compel the exercise of the taxing power, if any, of the Authority, the State or any political subdivision thereof to pay any principal installment of, redemption premium, if any, or interest on the Series 2013 Bonds. The Authority does not have the power to levy taxes for any purposes whatsoever.

Pursuant to Section 801-50 of the Authority Act, the State pledges and agrees with the holders of the Series 2013 Bonds that the State will not limit or restrict the rights vested in the Authority pursuant to the Authority Act to purchase, acquire, hold, sell, or dispose of investments or to establish and collect payments from Pledged Agreements or other charges as may be convenient or necessary to produce sufficient revenues to fulfill the terms of the Master Trust Agreement the holders of the Series 2013 Bonds or in any way impair the rights or remedies of the holders of the Series 2013 Bonds until such Bonds are fully paid and discharged or provision for their payment has been made.

## **Pledged Agreements**

Each Loan to a Participant for an eligible project from funds in the Clean Water Program or the Drinking Water Program is evidenced by an Agreement. In each Agreement, IEPA agrees to make a Loan in an amount up to the maximum amount provided in the Agreement. Funds are disbursed to a Participant only to pay eligible project costs which actually have been incurred by the Participant, and the amount of a Loan is generally equal to the aggregate of such disbursed amounts, although in certain instances such amount may also include capitalized interest.

Each Agreement specifies a date as of which the Project is required to initiate operation (the "Initiation of Operation Date"). Amortization of each Loan is required to begin no later than one year from the earlier of the Initiation of Operation Date or the date identified in the Agreement as the initiation of loan repayment date (the "Initiation of Loan Repayment Date"). The final maturity of each Loan is not later than twenty years from the earlier of the Initiation of Operation Date or the Initiation of Loan Repayment Date. Each Agreement permits prepayment of all or a portion of the balance of the Loan, at any time, without premium. The Agreements may be withdrawn and released from the pledge upon the satisfaction of certain tests. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS – Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio." Most of the Agreements provide for semiannual principal and interest payments, with the actual dates of repayment varying from loan agreement to loan agreement, with a few loan agreements providing for quarterly principal and interest payments.

Each Participant is obligated pursuant to the terms of its Agreement to repay its Loan to the Authority in accordance with each Participant's amortization schedule of principal and interest repayments.

Attached as APPENDIX C is a schedule of the Pledged Agreements to be pledged to secure payment of the Series 2013 Bonds. The schedule includes a description of the terms of each Pledged Agreement, the identity of the Participant, the type of Loan, the initial principal amount, the Fixed Loan Rate, the outstanding principal amount, the scheduled date of final payment, and the source of payment. The Loan Support Fees, a component of the Fixed Loan Rate in an amount not exceeding 50% of the Fixed Loan Rate, are not pledged under the Pledged Agreements.

Each of the Pledged Agreements are assigned to the Authority and pledged under the Master Trust Agreement to secure payment of the Bonds.

The Master Trustee will be entitled to receive all principal and interest payments due and owing on the Pledged Agreements on and after the date of delivery of the Series 2013 Bonds. The aggregate principal amount of the Pledged Agreements expected to be outstanding as of the date of delivery of the Series 2013 Bonds is \$1,750,642,321. See APPENDIX C — "PLEGDED AGREEMENTS FOR THE SERIES 2013 BONDS" for a description of the terms of each Pledged Agreement.

Loans under the Pledged Agreements have been fully disbursed. It is not anticipated that any new Pledged Agreements will be pledged to secure payment of the Series 2013 Bonds, *provided* that new Pledged Agreements may be substituted for existing Pledged Agreements, and Pledged Agreements may be prepaid or released from the lien of the Master Trust Agreement, as described under "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS – Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio" below.

## **Security for the Pledged Agreements**

Generally, the repayment obligations under the Pledged Agreements of each Participant may be from one or more revenue sources of the Participant. The source of revenues most often includes revenues from the Participant's water and sewer system, sales taxes, bond proceeds, property taxes or other special assessments. IEPA conducts an analysis as part of its loan review process, which includes a determination of the appropriate security for a Pledged Agreement, and upon making such determination, the Participant evidences its obligation under the Agreement and grants the security determined by IEPA by adopting a bond ordinance, resolution or similar authorization in accordance with State law. In certain instances, a Participant may issue revenue bonds, general obligation bonds or other obligations, as applicable, to evidence its repayment obligations.

As noted in APPENDIX C, approximately 80.8% of the Pledged Agreements are secured by revenues of the related water and sewer system; approximately 19.2% are secured by the general obligation of the related Participant; and the balance are secured by special assessments.

IEPA may require a separate reserve for any subordinate revenue loans to a Participant. IEPA further has a separate tax intercept authority which it may use, in its discretion, to secure the repayment obligations under a Pledged Agreement of a Participant.

#### **Certain Amendments of the Master Trust Agreement Without Consent**

The Authority and the Master Trustee may, without the consent of, or notice to the Bondholders, enter into supplements or amendments to the Master Trust Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in the Master Trust Agreement, (ii) to grant to or confer upon the Master Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Master Trustee, (iii) to evidence the appointment of a Co-Trustee or the succession of a new Master Trustee under the Master Trust Agreement, (iv) to subject to the lien of the Master Trust Agreement additional revenues, properties or collateral or to confirm, as further assurance, any pledge of or lien upon the Master Trust Estate or any other moneys, securities or funds, (v) to preserve the exclusion from federal gross income of the interest on the Series 2013 Bonds, (vi) to modify any of the Book-Entry System related provisions set forth in the Master Trust Agreement to conform to current practices or procedures of DTC or other applicable Securities Depository, (vii) to make any other change, which in the judgment of the Master Trustee, does not materially adversely affect the interests of the Bondholders, (viii) to specify, determine or authorize by Supplemental Master Trust Agreement any and all matters and things relative to the Series 2013 Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the Master Trust Agreement as theretofore in effect, and (ix) to make any other change which in the judgment of the Master Trustee does not materially affect the Bondholders; provided that (i) the Master Trustee, in connection with such judgment, may conclusively rely upon the respective opinions or reports of each of the Rating Agencies then rating the Bonds stating that the underlying ratings of the Bonds, without regard to credit enhancement or insurance, will not be adversely affected after such change to conclusively establish whether the change does not materially adversely affect the Bondholders and (ii) the Authority shall provide such written opinions or reports to the Master Trustee as a precondition to such change. Certain other changes to the Master Trust Agreement may be made with the consent of Bondholders. See APPENDIX A – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT.”

#### **Reliance on Participants**

The ability of the Authority to pay debt service on the Series 2013 Bonds is dependent on the repayment of Pledged Agreements by the Participants. The creditworthiness of each Participant may change from time to time. The Authority has no obligation to fund additional reserves for any Participant or upon a reduction in the Participant's credit rating or creditworthiness. A number of specific and general economic conditions and legal restraints may adversely affect the ability of Participants to repay their Pledged Agreements, including but not limited, to the ability of a Participant to raise new or additional taxes and utility rates and charges.

For each of the Pledged Agreements, IEPA has conducted an analysis as part of the loan review process to evaluate the Participants potential to meet the repayment obligation. Prior to issuance of the loan, IEPA requires the Participant to provide detailed and sufficient information to allow the IEPA to determine that (i) the applicant is financially capable, (ii) has pledged a dedicated source of revenue that is adequate to retire the debt and meet any covenants and requirements in the loan agreement, and (iii) has established a water use and water revenue system, where applicable, that will generate adequate revenues to repay the loan and accommodate costs for operation, maintenance and replacement of the facilities to be constructed. To date, there have been no payment defaults by a Participant on a Pledged Agreement. However, in the event of default, the Pledged Agreement provides the IEPA authority to initiate collection, including the right of offset, in accordance with the Illinois State Collection Act of 1986 (30 ILCS 210) or to pursue collection by any other reasonable means provided by law.

## **Master Trust Estate**

To secure the payment of the principal of and interest on the Series 2013 Bonds and the performance and observance of all covenants pursuant to the Master Trust Agreement, the Authority will grant a security interest in the Master Trust Estate to the Master Trustee.

The Master Trust Estate consists of:

a. All Pledged Agreements (defined herein) which may from time to time be assigned to or held by the Master Trustee under the terms of the Master Trust Agreement (other than Loan Support Fees due under the Pledged Agreements);

b. All moneys, securities and earnings thereon in all funds, sub-funds, accounts and sub-accounts established under the Master Trust Agreement or any Supplemental Master Trust Agreement, except for moneys deposited in the Loan Support Fee Subaccount of the Revenue Fund or the Rebate Fund and moneys deposited with or paid to the Master Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except that moneys representing the repayment of principal of the Pledged Agreements or the Grant Proceeds shall not be pledged to or used for the payment of the State Match Portion of any Bonds issued hereunder; and

c. Any and all other moneys and securities furnished from time to time to the Master Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Master Trustee under the terms of the Master Trust Agreement.

## **No Acceleration**

Upon the occurrence of an Event of Default under the Master Trust Agreement, there is no remedy of acceleration available to the Master Trustee with respect to the Series 2013 Bonds.

## **Investment of Funds**

Moneys held under the Master Trust Agreement will be invested by the Master Trustee, respectively, at the direction of the Authority, in Qualified Investments.

## **Additional Bonds**

The Authority may not incur Additional Indebtedness on a parity with the Series 2013 Bonds unless there is delivered to the Master Trustee a written report of an Authorized Officer stating that either (i) the Projected Debt Service Coverage Ratio for each subsequent Bond Year is not less than 1.05: 1.00, taking into account all Outstanding Bonds and other Outstanding Additional Indebtedness, including the proposed Additional Indebtedness or (ii) the Projected Debt Service Coverage Ratio for each subsequent Bond Year would be higher taking into account all Outstanding Bonds and other Outstanding Additional Indebtedness, including the proposed Additional Indebtedness, than the Projected Debt Service Coverage Ratio for each subsequent Bond Year if no Additional Indebtedness was issued. The Authority may issue Additional Indebtedness that is subordinate to Outstanding Bonds if there is first delivered to the Master Trustee a written report of an Authorized Officer stating the Projected Debt Service Coverage Ratio for each subsequent Bond Year is not less than 1.00: 1.00, including the proposed Additional Indebtedness. The Authority may consider all expected revenues to the Authority from the issuance of the Additional Indebtedness including at the time of issuance any and all moneys held in the funds, accounts and subaccounts of the Master Trust Agreement, except moneys in the Rebate Fund.

## **Equity Fund of the Master Trust Agreement**

The Series 2013 Bonds are secured by the Equity Fund under the Master Trust Agreement. The Equity Fund will be held by the Master Trustee for the benefit of the owners of all Bonds, but only as prescribed in the

Master Trust Agreement. Upon the issuance of the Series 2013 Bonds, \$1,750,642,321 aggregate principal amount of Pledged Agreements will be on deposit in the Equity Fund. See APPENDIX C attached hereto.

Funds, securities and other investments, loans, Pledged Agreements and other property held from time to time in the Equity Fund are available for the payment of the debt service on the Series 2013 Bonds when due and the payment of any other amounts required to be paid from time to time from the funds and accounts established pursuant to the Master Trust Agreement.

Available funds on deposit in the Equity Fund shall be used to make up deficiencies in the Bond Fund, or Rebate Fund and shall be transferred to the Bond Fund if required on any Interest Payment Date or other payment date prior to any transfer otherwise required in the Master Trust Agreement. Unless otherwise specified in a Supplemental Master Trust Agreement or other resolution of the Authority, the Authority is not required to maintain any minimum balance in the Equity Fund and the Authority makes no covenant to Bondholders that funds or other assets will be available in the Equity Fund in the event of a deficiency in the Bond Fund on any payment date. Available funds on deposit in the Equity Fund not used to make up such deficiencies may be used to make Loans and, to reimburse the IEPA for Loans pursuant to Agreements funded from moneys and assets of the SRF Program, provided that the related Agreements will become a Pledged Agreement.

The Master Trustee may deposit Grant Proceeds in the applicable account or subaccount of the Equity Fund, as directed by the Authority from time to time. In addition, the Equity Fund shall hold surplus funds transferred to the Equity Fund pursuant to the provisions of the Master Trust Agreement.

Amounts on deposit in the Equity Fund may also be used to pay fees and expenses of the Master Trustee, make grants, make deposits, and provide other subsidies and assistance in connection with the SRF Programs upon such terms as the Authority may determine in accordance with the MOA; provided that there is first delivered to the Master Trustee a written report of an Authorized Officer stating that the Projected Debt Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20:1.00, taking into account the proposed transfer from the Equity Fund.

### **Flow of Funds**

Payments under the Pledged Agreements which represent the scheduled repayment of principal and interest shall be deposited into the applicable Principal Subaccount and Interest Subaccount of the Revenue Fund as received. That portion of each Loan payment identified on the accompanying invoice as Loan Support Fees shall be deposited as received in the Loan Support Fee Subaccount and shall not be subject to the lien of the Master Trust Agreement. All investment income earned on various funds and accounts held under the Master Trust Agreement (except for the Rebate Fund and the Loan Support Fee Subaccount and unless otherwise directed by a Supplemental Master Trust Agreement), shall be transferred into or credited to the applicable Interest Subaccount upon receipt.

All principal amounts received from Participants pursuant to an optional prepayment of their Loans shall be deposited in the applicable Redemption Subaccount of the Revenue Fund upon receipt.

1. On each Interest Payment Date, the Master Trustee shall deposit into the applicable State Match Portion Subaccount of the Bond Fund: (i) first from the moneys on deposit in the applicable Interest Subaccounts of the Revenue Fund, and (ii) second from moneys on deposit in the applicable Interest Subaccounts of the Equity Fund, on each Interest Payment Date, an amount which when aggregated shall be sufficient to pay the principal of the State Match Portion of the Bonds due on such Interest Payment Date, including any sinking fund installments due on such date, plus the interest due on such Interest Payment Date on the State Match Portion of the Bonds Outstanding.

2. In addition, on each Interest Payment Date, there shall be deposited into the Leveraged Portion Subaccount of the Bond Fund, an amount which when aggregated shall be sufficient to pay the principal of the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds due on such date, including any sinking fund installments due on such date, plus the interest due on such Interest Payment Date on the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds Outstanding, from the following sources and in the following order of priority: (i) moneys on deposit in the applicable Principal Subaccounts of the Revenue Fund,

(ii) moneys on deposit in the applicable Interest Subaccounts of the Revenue Fund (it being the intent hereof that the Leveraged Portion Subaccount of the Bond Fund receive these moneys only after the State Match Portion Subaccounts of the Bond Fund have received sufficient funds to meet their debt service payment requirements), and (iii) moneys on deposit in the Equity Fund.

3. The Master Trustee thereafter shall transfer all excess amounts remaining on deposit in the Principal Subaccounts and Interest Subaccounts of the Revenue Fund attributable to the Bonds to the appropriate subaccounts of the Equity Fund.

4. On the first Business Day of each month, the Master Trustee shall: (i) transfer all amounts held in the Loan Support Fee Subaccount to the IEPA, (ii) transfer all amounts held in the Redemption Subaccount to the Equity Fund and (iii) transfer all investment earnings on all moneys held in the Bond Fund to the applicable Interest Subaccount of the Revenue Fund.

Funds, securities and other investments, including Pledged Agreements, and other property held from time to time in the Equity Fund are available for, and pledged to, the payment of the debt service on the Bonds and the payment of any other amounts required to be paid from time to time from the funds and accounts established pursuant to the Master Trust Agreement or any Supplemental Master Trust Agreement. Funds on deposit in the Equity Fund shall be used to make up any deficiencies in the Bond Fund or the Rebate Fund and shall be transferred to the Bond Fund if required on any Interest Payment Date or other payment date prior to any transfer otherwise required herein. Unless otherwise specified in a Supplemental Master Trust Agreement or other resolution of the Authority, the Authority shall not be required to maintain any minimum balance in the Equity Fund and the Authority makes no covenant to Bondholders or any other party that funds or other assets will be available in the Equity Fund in the event of a deficiency in the Bond Fund on any payment date.

The Equity Fund shall hold all funds transferred from the Revenue Fund and all surplus funds pursuant to the provisions of the Master Trust Agreement.

Available funds on deposit in the Equity Fund not used to make up such deficiencies may be used to make Loans and to reimburse the IEPA for Loans pursuant to Agreements funded from moneys and assets of the SRF Program, provided that the related Agreements will become Pledged Agreements. Amounts on deposit in the Equity Fund may also be used to pay fees and expenses of the Master Trustee and to pay the annual management fee of the Authority.

Additionally, provided that there is first delivered to the Master Trustee a written report of an Authorized Officer stating that the Projected Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20: 1.00, taking into account the proposed transfer from the Equity Fund, funds in the Equity Fund may be withdrawn therefrom and used to make grants and deposits, provide other subsidies and assistance in connection with the SRF Program or for any lawful purpose by the IEPA upon such terms as the Authority may determine in accordance with the Memorandum of Agreement.

#### **Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio**

The Authority may at any time release specified Pledged Agreements from the lien of the Master Trust Agreement, or substitute and add new Pledged Agreements to the lien of the Master Trust Agreement, in each case by preparing and filing with the Master Trustee and each Rating Agency then maintaining a rating on the Series 2013 Bonds, an Officer's Certificate (i) describing the specific Pledged Agreements to be released or, if applicable, substituted therefore or added thereto, and the extent to which the Officer's Certificate delivered in connection with issuance of a new series of Bonds should be deemed modified as a result of such release, substitution or addition; (ii) stating, on the basis of such supporting schedules as shall be attached, that after the release of any such Pledged Agreements from the lien of the Master Trust Agreement, and taking into account the principal and interest payment which the Authority reasonably expects will be received under the Pledged Agreements, if any, which are to be substituted therefore or added thereto upon the release and the other Revenues available for the payment of the principal of and interest on the Bonds, the resulting Revenues are reasonably expected to be sufficient to pay the State Match CWSRF Portion, State Match DWSRF Portion, Leveraged CWSRF Portion and Leveraged DWSRF Portion of the principal of and interest due on the Bonds on each Interest Payment Date and at maturity thereof; and

(iii) stating that the Projected Debt Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20:1.00, taking into account the proposed release or substitution, as applicable.

## THE PARTICIPANTS

Each of the Participants for the Pledged Agreements is identified in APPENDIX C — “PLEDGED AGREEMENTS FOR THE SERIES 2013 BONDS.” On the date of issuance of the Series 2013 Bonds, no single Participant will have Pledged Agreements having an outstanding principal amount exceeding twenty percent (20%) of the aggregate outstanding principal amount of all Pledged Agreements (collectively, the “Participant Criteria for Continuing Disclosure”). The outstanding principal amount of Bonds and the composition of the Pledged Agreements pledged to secure such Bonds will change over time due to scheduled principal amortization and prepayments, if any, releases and substitutions and, with respect to Bonds, the issuance of additional series of Bonds. As a result, a Participant may hereafter satisfy the Participant Criteria for Continuing Disclosure and will be deemed at such time to be an “Obligated Participant.” Each Obligated Participant will be required to deliver to the Authority a Continuing Disclosure Undertaking for so long as the Series 2013 Bonds are outstanding, in substantially the form of APPENDIX F — “FORM OF OBLIGATED PARTICIPANT CONTINUING DISCLOSURE AGREEMENT.” See also “CONTINUING DISCLOSURE.” An Obligated Participant’s continuing disclosure obligations remain until all payments due under its Pledged Agreement have been made or its Loan is no longer a Pledged Agreement.

## IEPA

*Purpose.* The mission of IEPA is to “safeguard environmental quality consistent with the social and economic needs of the State, so as to protect health, welfare, property and the quality of life.” IEPA operates under the auspices of the State Act and several other state statutes. Under State law, IEPA is designated as the primary operations agency for purposes of the major federal environmental protection programs. Statutory authority is granted for policy and regulatory development, planning and monitoring, permitting, inspections and enforcement, remedial actions, emergency management, and environmental infrastructure assistance.

IEPA has entered into separate Capitalization Grant Agreements with the United States Environmental Protection Agency (the “EPA”) to administer the Clean Water Program and the Drinking Water Program. With respect to the Clean Water Program, IEPA annually prepares an Intended Use Plan, which is presented in public hearings and which identifies wastewater treatment projects that are eligible for assistance from the Clean Water Program. Similarly, with respect to the Drinking Water Program, IEPA annually prepares an Intended Use Plan, which is presented in public hearings and which identifies drinking water projects that are eligible for assistance from the Drinking Water Program.

IEPA is responsible for the overall management of the SRF Programs, including review and approval of planning documents, plans and specifications, legal authority, dedicated source of revenue, and disbursement requests. See “STATE OF ILLINOIS SRF PROGRAMS” and “MEMORANDUM OF AGREEMENT.”

The offices of IEPA are located at 1021 North Grand Avenue East, Springfield, Illinois 62702 and its telephone number is (217) 782-3397.

*Management Personnel.* Lisa Bonnett was appointed Director of the Illinois Environmental Protection Agency by Governor Pat Quinn, effective March 18, 2013. Director Bonnett has more than 30 years’ experience in state government, including more than 20 years at the Illinois EPA. She served as Deputy Director since 2008, including a term as Interim Director from March 2011 to October 2011. Director Bonnett has been a driving force behind Governor Quinn’s Clean Water Initiative, which helps local governments overhaul aging drinking water and wastewater treatment plants and distribution and collection systems, while creating 28,000 jobs. Director Bonnett also led negotiations in 2011 that resulted in a streamlining of the Illinois EPA that improved Illinois’ business climate by making the permit process more efficient while still safeguarding the environment. She previously served as the Chief Financial Officer, where she managed the agency’s \$2 billion annual budget and also implemented several cost-efficiency initiatives. She holds a Bachelor of Arts and Masters in Business Administration degrees from the University of Illinois-Springfield.

John Kim, Chief Legal Counsel for the Illinois Environmental Protection Agency, is responsible for providing legal representation to the Director and to senior management staff on all legal matters, providing counsel on policy and personnel issues, interpreting and assisting with the implementation of statutory and regulatory provisions and drafting pertinent legislation. He has been with the Agency since 1994 and has had numerous positions within the Agency including serving as Interim Director and Director from October 2011 through February of 2013. He currently manages a staff of nearly 50 attorneys and paralegals and is the Agency's Ethics Officer. He works in coordination with the Governor's Office Legal Counsel to implement policies and initiatives of the Governor and provide feedback and guidance on environmental issues in Illinois. He holds an undergraduate degree from the University of Illinois and a Juris Doctor from Southern Illinois University at Carbondale.

Carol Radwine was named Chief Financial Officer of the Illinois Environmental Protection Agency in October 2012. She is responsible for managing the Agency's \$2 billion annual budget and for overseeing a staff of 35 employees. She has worked in state government for nearly 25 years and has held progressively responsible positions in both the accounting and financial management departments. In September 2013, she was appointed by Governor Pat Quinn to serve on the Illinois Single Audit Commission. Ms. Radwine holds a Bachelor of Arts degree in Accounting from Sangamon State University and is a Certified Public Accountant.

Marcia Willhite became Chief of the Bureau of Water, Illinois EPA in May 2001. In this capacity she oversees water pollution control, drinking water, groundwater, watershed management and state revolving fund programs for the State. Ms. Willhite is active in the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA), serving as its national President in 2006-07. Prior to coming to Illinois, Ms. Willhite worked for 13 years in air quality including program management at the state level in Texas and at the local level in Lincoln, Nebraska. Ms. Willhite currently chairs the Water Quality Executive Committee of the Upper Mississippi River Basin Association, and represents Illinois EPA on the Ohio River Valley Water Sanitation Commission. Ms. Willhite has a Bachelor of Science degree in Wildlife Biology from Eastern Kentucky University and Master of Science in Toxicology from the University of Kentucky.

## **THE AUTHORITY**

The Authority is a body politic and corporate of the State of Illinois. The Authority was created under the Authority Act. Under the Authority Act, the Authority may not have outstanding at any one time bonds for any of its corporate purposes in an aggregate principal amount exceeding \$28,150,000,000, excluding bonds issued to refund the bonds of the Authority or bonds of the Predecessor Authorities. Pursuant to the Authority Act, the Authority is governed by a 15-member board appointed by the Governor of the State of Illinois with the advice and consent of the State Senate. Presently, there are fifteen members who have been duly appointed. The members receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such duties.

The Authority may from time to time issue bonds as provided in the Authority Act for the purposes set forth in the Authority Act. Any bonds issued by the Authority (and any interest thereon) shall not be or become an indebtedness or obligation, general or moral, of the State of Illinois or any political subdivision thereof nor be or become a pledge of the full faith and credit of the State, the Authority or any political subdivision thereof, and shall never give rise to any pecuniary liability of the Authority. The Series 2013 Bonds are limited obligations of the Authority payable solely from the specific sources and revenues of the Authority specified in the Bond Resolution and the Master Trust Agreement authorizing the issuance of the Series 2013 Bonds. No owner of any Bonds shall have the right to compel any exercise of the taxing power of the State of Illinois or any political subdivision thereof to pay any principal of, premium, if any, or interest on the Illinois Bonds. The Authority does not have the power to levy taxes for any purpose whatsoever.

The execution and distribution of this Official Statement has been duly approved and authorized by the Authority. The offices of the Authority are located at Two Prudential Plaza, 180 North Stetson Avenue, Suite 2555, Chicago, Illinois 60601, and its telephone number is (312) 651-1300.



## MEMORANDUM OF AGREEMENT

The Authority and IEPA are parties to a Memorandum of Agreement (the "MOA"), dated as of November 1, 2013, governing the duties and obligations of the parties with respect to the issuance of the Series 2013 Bonds and any other Bonds issued in connection with the SRF Programs.

*IEPA Responsibilities.* IEPA has agreed in the MOA, among other matters, to:

- (a) Establish procedures for reviewing, processing, and approving applications and documentation used in the SRF Programs;
- (b) Review, process and approve loan applications and enter into loan agreements and loan amendments;
- (c) Maintain the official project files and make them available for review by the Authority, its auditors, and professionals engaged to provide professional guidance to the Authority's bond or note obligations;
- (d) Direct and coordinate the management of the SRF Programs with the Authority to the extent necessary to assist the Authority in the sale of bonds for the SRF Programs, and provide the Authority with information necessary to prepare an official statement, ratings presentations and investor presentations;
- (e) Coordinate with the Authority as to the timing, structure and level of revenue bond issuance necessary to fund loan obligations on a timely basis;
- (f) In connection with a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") entered into by the Authority with respect to any Authority Bonds (as defined below), provide the Authority with information necessary to file annual continuing disclosure documents as specified in Exhibit I to such Continuing Disclosure Agreement, and include requirements in the Agreements obligating Participants to provide continuing disclosure documents to the extent that such Participants become "Obligated Participants";
- (g) Provide the Authority with any information necessary to respond to any audit or investigation by the Internal Revenue Service involving the SRF Programs, the Fund or the Authority bonds issued in connection with the SRF Programs ("Authority Bonds") and to comply with any tax exemption agreement in connection with the Authority Bonds;
- (h) Execute such documentation as may be necessary in connection with any Bonds to evidence the assignment of Pledged Agreements by IEPA to the Authority; and
- (i) Provide quarterly reports to the Authority and any other information necessary for the Authority to determine and ensure compliance of the Bonds with any extraordinary mandatory redemption requirements as a result of Federal tax rules.

*Authority Responsibilities.* The Authority has agreed in the MOA, among other matters to:

- (a) Coordinate with IEPA as to the timing, structure and level of revenue bond issuance necessary to fund loan obligations on a timely basis and coordinate the drafting of all documents relating to the issuance and sale of revenue bonds or notes;
- (b) Engage a rebate calculation agent to prepare all arbitrage rebate calculations required by federal tax law, and to assure that all required payments are timely paid, all in accordance with federal law and the bond documents in connection with bonds issued by the Authority under this Agreement;
- (c) If Pledged Agreements are requested to be substituted by IEPA and other loans are pledged of an equivalent value ("substituted loans"), or if a Pledged Agreement is repaid by the loan recipient ("repaid loans"), and the Master Trustee returns substituted loans or repaid loans under the Master Trust Agreement, the Authority

shall take any and all action under the Master Trust Agreement for the release of the substituted loans or repaid loans from a Master Trust Agreement to IEPA using such forms for the Authority's consent and IEPA's certification in connection with such loan substitution as the Authority may designate;

(d) The Authority shall (i) compile and file such annual continuing disclosure documents provided to the Authority by IEPA (as described in Exhibit I to the Continuing Disclosure Agreement), (ii) monitor and file as necessary such reportable event disclosure documents (as described in Exhibit II to the Continuing Disclosure Agreement), and (iii) coordinate, monitor and file continuing disclosure documents as may be required of Obligated Participants, all as required pursuant to the Continuing Disclosure Agreement; and

(e) Report to the Master Trustee based on information and reports by IEPA that repayments on Pledged Agreements (for both SRF Programs) will satisfy financial requirements contained in the Master Trust Agreement for all outstanding Authority Bonds. Such certification shall be made promptly, upon notification by IEPA of any of the following events: (i) notification that any Pledged Agreement will be or is prepaid in advance of the stated maturity, (ii) effective date of any amendments agreed to by IEPA to any Pledged Agreement which reduce the amounts payable in any year, or (iii) release, substitution or addition of any Pledged Agreement at the direction of IEPA. The Authority shall also provide copies of such reports to the Rating Agencies.

The MOA shall continue in effect until all bonds and notes of the Authority issued in accordance with the MOA have been paid in full, unless earlier terminated. Any party may terminate the MOA with notice to the other party or the MOA may be terminated by operation of law; provided that the MOA may not be terminated for so long as any Authority Bonds remain outstanding. The termination of the MOA by either party or by operation of law shall not relieve the other party of any obligations or liabilities accrued prior to the effective date of such termination.

## **INVESTMENT CONSIDERATIONS**

**A PROSPECTIVE PURCHASER OF THE SERIES 2013 BONDS SHOULD BE AWARE THAT THERE ARE CERTAIN INVESTMENT CONSIDERATIONS ASSOCIATED WITH THE SERIES 2013 BONDS. EACH PROSPECTIVE PURCHASER OF THE SERIES 2013 BONDS SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, AND GIVE PARTICULAR ATTENTION TO THE CONSIDERATIONS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE AND THE MARKET PRICE ON THE SERIES 2013 BONDS. THE FOLLOWING STATEMENTS REGARDING CERTAIN INVESTMENT CONSIDERATIONS SHOULD NOT BE CONSIDERED A COMPLETE DESCRIPTION OF ALL CONSIDERATIONS IN THE DECISION TO PURCHASE THE SERIES 2013 BONDS.**

### **Limited Obligations**

The Series 2013 Bonds are limited obligations of the Authority payable solely from the revenues derived from the Pledged Agreements, or other amounts pledged as security for the Series 2013 Bonds and to the extent set forth in the Master Trust Agreement. The Series 2013 Bonds and interest thereon shall never constitute an indebtedness of the Authority or the State, or any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation, and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit or the taxing powers of the State or any political subdivision thereof. The Authority has no taxing power.

In the event the SRF Program has insufficient funds to pay principal of or the interest on the Series 2013 Bonds, Participants are not required to pay amounts in excess of the amounts originally agreed to pursuant to their Agreements to make up revenue shortfalls of the SRF Programs.

### **Local Law Limitations**

If a Participant decides to construct additional facilities, any difficulties which such Participant may encounter in completing, acquiring or operating such additional facilities may negatively impact the Participant's

ability to satisfy its obligations on the Pledged Agreements. A number of specific and general legal restraints may adversely affect the ability of Participants to repay their Pledged Agreements, including but not limited, to the ability of a Participant to raise new or additional taxes and utility rates and charges.

### **Limitation of Remedies**

The remedies available to the Master Trustee or the holders of the Series 2013 Bonds upon an Event of Default under the Master Trust Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the federal bankruptcy code and the Master Trust Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2013 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Upon the occurrence of an Event of Default under the Master Trust Agreement, there is no remedy of acceleration available to the Master Trustee with respect to the Series 2013 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS – No Acceleration."

Should any of the foregoing occur, or should the collection of Loan payments decline due to economic conditions, the Participant would be obligated under the Agreement to increase its system rates, fees and/or charges as necessary to pay the Loan payments. If a Participant failed to or was not able to increase rates by the amount required, then the ability of the Participant to make timely Loan payments could be impaired. This, in turn, could also impair the ability of the Authority to pay the principal of and interest on the Series 2013 Bonds.

### **Other Future Considerations**

In the future, the following factors, among others, may adversely affect the operations of municipalities, including the Participants, or the market value of the Series 2013 Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation or implementation of regulations that would modify the Clean Water Program and the Drinking Water Program.
- Reduced demand for the services of the Participants that might result from decreases in population.
- Insolvency of a Participant.
- The occurrence of a natural or man-made disaster, a pandemic or an epidemic that could damage the facilities of a Participant, and the generation of revenues from such facilities.

## **LITIGATION**

### **The Authority**

There is not now pending (as to which the Authority has received service of process) nor, to the knowledge of the Authority, threatened any litigation that (i) seeks to restrain or enjoin the issuance or delivery of the Series 2013 Bonds or questions or affects the validity of the Series 2013 Bonds or the proceedings or authority under which they are to be issued, (ii) in any manner questions the right of the Authority to enter into the Bond Purchase Agreement, the Master Trust Agreement or the MOA or to secure the Series 2013 Bonds in the manner provided in the Master Trust Agreement, or (iii) seeks to restrain or enjoin the execution and delivery of or performance under the Pledged Agreements, the Bond Purchase Agreement, the Master Trust Agreement or the MOA.

## **IEPA**

There is not now pending (as to which IEPA has received service of process), nor to the knowledge of IEPA, threatened any litigation that (i) seeks to restrain or enjoin the issuance or delivery of the Series 2013 Bonds or questioning or affecting the validity of the Series 2013 Bonds or the proceedings and authority under which the Series 2013 Bonds are to be issued, or the pledge or application of any moneys or security provided for the payment of the Series 2013 Bonds, (ii) in any manner questions the right of IEPA to enter into the Bond Purchase Agreement or the MOA, or (iii) seeks to restrain or enjoin the execution and delivery of or performance under the Pledged Agreements, the Bond Purchase Agreement or the MOA.

## **LEGAL MATTERS**

Legal matters incident to the issuance of the Series 2013 Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION" herein) are subject to the legal opinion of Katten Muchin Rosenman LLP, Bond Counsel to the Authority. Signed copies of the legal opinion, dated and premised on law in effect as of the date of delivery of the Series 2013 Bonds, will be delivered to the Authority at the time of original delivery of the Series 2013 Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Mayer Brown LLP, Chicago, Illinois; for the Underwriters by their co-counsels, Foley & Lardner LLP and Pugh, Jones & Johnson, P.C.; and for IEPA by its Chief Legal Counsel.

## **TAX EXEMPTION**

### **Summary of Bond Counsel Opinion**

Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Series 2013 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"), Bond Counsel is of the opinion that interest on the Series 2013 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the Series 2013 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2013 Bonds is not exempt from Illinois income taxes.

### **Series 2013 Bonds Purchased at a Premium**

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2013 Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Series 2013 Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2013 Bond, the difference between the two is known as "bond premium."

Bond premium is amortized over the term of a Series 2013 Bond on the basis of the Series 2013 Bonds yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period and is subtracted from the owner's tax basis in the Series 2013 Bond. A Series 2013 Bonds' adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Series 2013 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2013 Bond).

Owners who purchase Series 2013 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 Series 2013 Bonds. In addition, owners of Series 2013 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2013 Bonds; under the

applicable provisions of state or local income tax law, bond premium may give rise to taxable income at different times and in different amounts than is the case for Federal income tax purposes.

### **Exclusion from Gross Income: Requirements**

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2013 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2013 Bonds. These requirements relate to the use and investment of the proceeds of the Series 2013 Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2013 Bonds and the use of the property financed with the proceeds of the Series 2013 Bonds. Among these specific requirements are the following:

- (a) *Investment Restrictions.* Except during certain “temporary periods,” proceeds of the Series 2013 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 than the yield on the Series 2013 Bonds.
- (b) *Rebate of Permissible Arbitrage Earnings.* Unless the Series 2013 Bonds qualify for an exception, earnings from the investment of the “gross proceeds” of the Series 2013 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 Series 2013 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 Series 2013 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2013 Bonds.
- (c) *Limitations on Private Use.* The Code includes limitations on the amount of Series 2013 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.

### **Covenants to Comply**

The Authority covenants in the Master Trust Agreement to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2013 Bonds.

### **Risk of Non Compliance**

In the event that the Authority fails to comply with the requirements of the Code, interest on the Series 2013 Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Master Trust Agreement does not require acceleration of payment of principal of or interest on the Series 2013 Bonds or payment of any additional interest or penalties to the owners of the Series 2013 Bonds.

### **Federal Income Tax Consequences**

Pursuant to Section 103 of the Code, interest on the Series 2013 Bonds is not includible in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2013 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 SERIES 2013 BONDS.

- (a) *Cost of Carry.* Owners of the Series 2013 Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2013 Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the Series 2013 Bonds.
- (b) *Corporate Owners.* Interest on the Series 2013 Bonds is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 2013 Bonds is taken into account in computing the alternative minimum tax for corporations, but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.
- (c) *Individual Owners.* Receipt of interest on the Series 2013 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.
- (d) *Certain Blue Cross or Blue Shield Organizations.* Receipt of interest on the Series 2013 Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.
- (e) *Property or Casualty Insurance Companies.* Receipt of interest on the Series 2013 Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.
- (f) *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 Series 2013 Bonds held by such a company is properly allocable to the shareholder.

### **Change of Law**

The opinion of 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 Series 2013 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 Series 2013 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2013 Bonds.

Interest on the Series 2013 Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2013 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult with their tax advisors regarding the applicability of any state and local taxes.

### **UNDERWRITING**

The Series 2013 Bonds are being purchased by the underwriters listed on the cover page of this Official Statement (collectively, the "Underwriters"). The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the Series 2013 Bonds described in this Official Statement at an aggregate purchase price of \$157,911,183.29, reflecting an original issue premium of \$16,874,821.10 and an Underwriters' discount of \$663,637.81, and to reoffer such Bonds at the public offering price or prices set forth on

the inside cover page hereof. Such Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering price and the Underwriters may change such prices, from time to time. The Underwriters reserve the right to lower such initial offering prices as it deems necessary in connection with the marketing of the Series 2013 Bonds. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Bonds if any Bonds are purchased.

The Underwriters have designated Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative of the Underwriters of the Series 2013 Bonds. The Representative reserves the right to join with dealers and other underwriters in offering the Series 2013 Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2013 Bonds is subject to the terms and conditions set forth in the bond purchase agreement, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2013 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

The Authority intends to use a portion of the proceeds from this offering to redeem the Prior Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Prior Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2013 Bonds contemplated herein in connection with such Prior Bonds being redeemed by the Authority.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Loop Capital Markets LLC ("LCM"), one of the Underwriters of the Series 2013 Bonds, has entered into a distribution agreement (the "Distribution Agreement") with Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable to this transaction), DBS will purchase Series 2013 Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2013 Bonds that such firm sells.

#### **FINANCIAL ADVISOR**

Public Financial Management, Inc., Chicago, Illinois has been retained by the Authority to serve as Financial Advisor (the "Financial Advisor") with respect to the Series 2013 Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2013 Bonds is contingent upon the issuance and delivery of the Series 2013 Bonds.

## **RELATIONSHIPS AMONG THE PARTIES**

In other transactions or pursuant to other programs of the Authority not related to the Series 2013 Bonds, each of the law firms identified under the heading "LEGAL MATTERS" may have represented, or may be representing, the Authority, the Underwriters or the Master Trustee or their affiliates in capacities different from those in connection with the issuance of the Series 2013 Bonds. The law firms identified under the heading "LEGAL MATTERS" represent various Participants and may represent the Participants in connection with future Pledged Agreements which may be funded with the proceeds of the Series 2013 Bonds or with proceeds of other bonds. Potential purchasers of the Series 2013 Bonds should not assume that the Authority, IEPA, the Underwriters, the Financial Advisor and the Master Trustee, or their respective counsel, have not previously engaged in, are not presently engaged in, or will not after the issuance of the Series 2013 Bonds engage in, other transactions with each other or with any affiliates of any of them, and no assurance can be given that there are or will be no past, present or future relationships or transactions between or among any of these parties or the law firms referenced herein.

## **VERIFICATION AGENT**

Concurrently with the issuance of the Series 2013 Bonds, Causey Demgen & Moore P.C., as verification agent, will deliver a report with respect to the mathematical accuracy of certain computations, contained in schedules provided to them, which were prepared by the Financial Advisor, relative to the sufficiency of moneys and securities deposited into the escrow fund established pursuant to an escrow agreement to pay, when due the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Prior Bonds. The report of Causey Demgen & Moore P.C. will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the aforesaid computations and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

## **RATINGS**

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), have assigned the Series 2013 Bonds the ratings of "AAA" and "AAA," respectively. No application was made to any other rating service for the purpose of obtaining additional ratings for the Series 2013 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. The ratings are not a recommendation to buy, sell or hold the Series 2013 Bonds, and the ratings and the Series 2013 Bonds should be evaluated independently.

Certain information and materials not included in this Official Statement were furnished to the rating agencies by the Authority and IEPA. Generally, rating agencies base their ratings on the information and materials furnished to them and on their investigations, studies and assumptions. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2013 Bonds any proposed revision or withdrawal of the ratings of the Series 2013 Bonds or to oppose any such proposed revision or withdrawal. The Authority has, however, undertaken, as part of its continuing disclosure obligation (see "CONTINUING DISCLOSURE" below) to file with the MSRB all rating changes relating to the Series 2013 Bonds. There is no assurance that any of the ratings will continue for any given period of time or that any rating may not be lowered or withdrawn if, in the judgment of a rating agency, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market prices of the Series 2013 Bonds.

## **CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT**

At the time of the original delivery of and payment for the Series 2013 Bonds, IEPA will deliver a certificate of the Director addressed to the Underwriters to the effect that it has examined this Official Statement (including the Appendices) and the financial and other data concerning the SRF Programs contained herein and that, to the best of her knowledge and belief (i) this Official Statement (excluding APPENDIX D – "PROPOSED FORM



OF BOND COUNSEL OPINION”), both as of its date and as of the date of delivery of the Series 2013 Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of delivery of the Series 2013 Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of IEPA or the SRF Programs except as set forth in or contemplated by this Official Statement.

### CONTINUING DISCLOSURE

The Authority will enter into an undertaking (the “Authority Undertaking”) for the benefit of the beneficial owners of the Series 2013 Bonds to send certain information annually and to provide notice of certain events to certain information repositories (the “Information Repositories”) pursuant to the requirements of Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis, and the other terms of the Authority Undertaking, including termination, amendment and remedies, are set forth in APPENDIX E — “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In addition, the Authority has agreed to provide or cause to be provided such financial information and operating data of any Obligated Participant, as the Authority determines is necessary to comply with the Rule. Upon the issuance of the Series 2013 Bonds, no Participant will be deemed to be an Obligated Participant based upon the Participant Criteria for Continuing Disclosure described above under “THE PARTICIPANTS.”

Unless a Participant subsequently becomes an Obligated Participant, the Authority will not be required to provide or cause to be provided any financial and operating information of any Participant. A Participant, upon becoming an Obligated Participant and for so long as it is an Obligated Participant, will be required to enter into an undertaking substantially in the form of APPENDIX F — “FORM OF OBLIGATED PARTICIPANT CONTINUING DISCLOSURE AGREEMENT.” Each Obligated Participant’s obligation described herein will terminate when none of its Pledged Agreement remains outstanding or is no longer subject to the lien of the Master Trust Agreement.

The Authority (together with the State of Illinois Governor’s Office of Management and Budget, as dissemination agent) entered into a continuing disclosure undertaking in connection with the issuance of the Prior Bonds (the “Prior Undertakings”). In the last five years, there has not been a failure to timely file the annual financial information or operating data required to be disclosed by the Authority under the Prior Undertakings. However, additional information that was required to be disclosed, related to Obligated Participant data, was not provided for the only Obligated Participant which satisfied the Participant Criteria for Continuing Disclosure during the last five years. The Authority has since filed all of the financial information and operating data for such Obligated Participant and has filed disclosure regarding such prior failures on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system. In addition, the Authority has instituted procedures (as summarized in the MOA) for the timely filing of all financial information and operating data as may be required of any Obligated Participant in connection with the Series 2013 Bonds. See “MEMORANDUM OF AGREEMENT” set forth herein.

With the exception of the events described in the prior paragraph, the Authority has not failed to comply in any material respect with its previous continuing disclosure undertakings entered into pursuant to the Rule.

A failure by the Authority or an Obligated Participant to comply with the Authority Undertaking or the Obligated Participant Undertaking will not constitute a default under the Master Trust Agreement and beneficial owners of the Series 2013 Bonds are limited to the remedies described in the respective Undertakings. A failure by the Authority or an Obligated Participant to comply with their respective Undertakings 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 2013 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2013 Bonds and their market price.


## MISCELLANEOUS

All references to statutes, the Series 2013 Bonds, the First Supplemental Master Trust Agreement, the Master Trust Agreement, the Pledged Agreements, the MOA, the Assignment and other documents contained in this Official Statement are brief summaries of certain provisions thereof and do not purport to be definitive or comprehensive, and all references thereto are qualified in their entirety by reference to the actual statutes and documents. Statements herein involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as, and is not, a contract with the Owners of the Series 2013 Bonds.

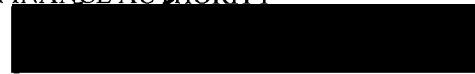
The attached APPENDICES A through G are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing information.

This Official Statement, its distribution and use by the Underwriters and its execution and delivery by an authorized officer of IEPA and the Authority, respectively, have been duly authorized and approved by IEPA and the Authority.

### ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

By:  /s/ Lisa Bonnett  
Director

### ILLINOIS FINANCE AUTHORITY

By:  /s/ Christopher B. Meister  
Executive Director

**APPENDIX A**

**DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF  
THE MASTER TRUST AGREEMENT**

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## APPENDIX A

### Definitions and Summary of Certain Provisions of the Master Trust Agreement

The following is a summary of certain provisions of the Master Trust Agreement not summarized elsewhere in this Official Statement. Reference is made to the Master Trust Agreement for a complete description thereof. The discussion in the Master Trust Agreement is qualified in its entirety by such reference.

#### Definitions of Certain Terms

*“Act”* means collectively, the Illinois Finance Authority Act 20 ILCS 3501/801-1 *et seq.*, and the Illinois Environmental Facilities Financing Act, 20 ILCS 2000/1 *et seq.*, and all future acts supplemental thereto and amendatory thereof.

*“Additional Indebtedness”* means all Indebtedness of the Authority to be secured by the Revenues and, unless otherwise provided in a Supplemental Master Trust Agreement, all funds, accounts and subaccounts held pursuant to the Master Trust Agreement.

*“Agreement(s)”* means, individually or collectively, as applicable, the Loan Agreements between the IEPA and each of the Participants receiving a Loan under the Clean Water Program or Drinking Water Program, dated their respective dates of execution, and any amendments and supplements thereto, including without limitation, the related Local Obligations.

*“Annual Debt Service”* means the projected amount of annual Debt Service for all Outstanding Bonds computed for the then current Bond Year and any future Bond Year.

*“Assignment Agreement”* means the Assignment of Loans dated as of December 5, 2013 from the IEPA to the Authority, as the same shall be supplemented and amended.

*“Authority”* means the Illinois Finance Authority, a body politic and corporate duly organized and validly existing under the laws of the State of Illinois.

*“Authorized Denominations”* shall have the meaning with respect to a series of Bonds as set forth in the related Supplemental Master Trust Agreement.

*“Authorized Officer”* means in the case of the Authority, the Chairperson, Vice Chairperson, Executive Director, General Counsel or Chief Financial Officer of the Authority or any other person designated as such by a resolution of the members of the Authority.

*“Balloon Indebtedness”* means long-term Indebtedness, 25% or more of the original principal of which matures during any consecutive 12-month period, if such maturing principal amount is not required to be amortized below such percentage, by mandatory redemption or prepayment prior to such 12-month period. Balloon Indebtedness does not include Indebtedness which otherwise would be classified as Put Indebtedness.

*“Bond” or “Bonds”* means any bond or bonds or all the bonds, as the case may be, of the Authority, in one or more series, relating to the Clean Water Program or the Drinking Water Program, or both, issued and secured pursuant to the Master Trust Agreement.

*“Bond Counsel”* means an attorney or firm of attorneys approved by the Authority that is nationally recognized in the area of municipal law and matters relating to the exclusion of interest on state and local government bonds from gross income under federal tax law.

*“Bond Fund”* means the trust fund described under the caption Bond Fund below.

*“Bond Registrar”* means the Master Trustee.

*“Bond Register”* means the registration record maintained by the Bond Registrar under the Master Trust Agreement.

*“Bondholder” or “holder” or “owner”* means the Registered Owner of any Bond.

*“Bond Year”* means, for purposes of the Master Trust Agreement and the tests set forth in the Master Trust Agreement, each twelve-month period ending on July 1 of any year in which Bonds are Outstanding.

*“Business Day”* means any day which is not a Saturday or Sunday and which is not a legal holiday on which federally chartered savings banks, banks or trust companies located in Chicago, Illinois are authorized or required by law to close.

*“Capitalization Grant Agreement”* means any EPA Assistance Agreement/Amendment between the IEPA and the EPA, pursuant to which the IEPA becomes the recipient of Grant Proceeds for the purpose of providing additional financing for the Clean Water Program or the Drinking Water Program, as applicable.

*“Clean Water Participant(s)”* means, individually or collectively, as applicable, Participants whose Loans are funded under the Clean Water Program.

*“Clean Water Program”* means the Illinois Water Pollution Control Loan Program established and administered by the IEPA to carry out the purposes set forth in the Act and the Water Quality Act.

*“Code”* means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

*“Costs of Issuance”* means any and all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, sale and issuance of the Bonds, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Master Trustee, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of the Bonds, underwriting or placement fees, and other costs, charges and fees in connection with the issuance of the Bonds.

“*Credit Enhancement*” means with respect to any Bonds, any insurance policy, surety bond, letter of credit, line of credit or other form of credit enhancement issued by a bank, trust company, national banking association, insurance company or other credit provider in favor of the Bondowners of such Bonds for the purpose of providing a source of funds for the payment of all or a portion of the Bonds secured by such credit enhancement.

“*CWSRF Loan*” means a Loan made to a Participant under the Clean Water Program.

“*CWSRF Reserve Account*” means the account created in the Equity Fund with respect to the Clean Water Program.

“*CWSRF Revenue Account*” means the account created in the Revenue Fund for the deposit of investment earnings and Loan repayments made by the Participants with respect to the Clean Water Program.

“*Debt Service*” means, for any period of time for which calculated, the aggregate of the scheduled payments required to be made during such period in respect of principal (whether at maturity or as a result of scheduled mandatory redemption or scheduled mandatory prepayment) and interest on Outstanding Indebtedness; provided that to the extent cash or other funds are on deposit in an escrow or trust account or in the funds, accounts or subaccounts of the Master Trust Agreement such funds may be taken into account as to be applied to pay such principal or interest. Calculation of Debt Service with respect to balloon Indebtedness, short-term bonds or notes or Variable Rate Bonds shall be made as follows:

(a) For purposes of computing the interest payable on any Variable Rate Bonds that are not subject to a Swap Agreement, the rate of interest shall be assumed to equal, as applicable, either (i) if such Variable Rate Bonds have been or are to be issued as obligations exempt from federal income taxation, the monthly average SIFMA Municipal Swap Index during the 5 years (i.e. most recent 60 complete months) preceding the date of such calculation or (ii) if such Variable Rate Bonds have been or are to be issued as obligations subject to federal income taxation, the monthly average LIBOR during the 5 years (60 complete months) preceding the date of such calculation.

(b) For purposes of computing the interest payable on any Bonds that are subject to a Swap Agreement, (i) if, pursuant to the terms of the applicable Supplemental Master Trust Agreement, the Authority’s variable rate liability on all or a portion of any Variable Rate Bonds has been swapped to a fixed rate liability, or capped pursuant to an interest rate cap agreement or similar agreement, interest payable with respect to said Bonds shall be calculated as if the Bonds bear interest at said fixed swap rate or cap “strike rate,” as appropriate, (ii) if, pursuant to the terms of the applicable Supplemental Master Trust Agreement, the Authority’s fixed rate liability on all or a portion of any Bonds has been swapped to a variable rate liability, interest payable with respect to said Bonds shall be calculated as if the Bonds bear interest at a variable rate, pursuant to (a) above.

(c) For purposes of computing the principal and interest due on any Balloon Indebtedness, Put Indebtedness or short-term obligations, including but not limited to

bond anticipation notes, the Authority shall assume that the principal on such obligations is amortized on a substantially level debt service basis over a term of not more than thirty years, with interest on such amounts calculated at a rate or rates, as applicable, equal to the then applicable rates for comparable maturities of municipal bonds of comparable credit rating as set forth in a nationally recognized municipal market publication, including, without limitation, interest rate scales published by Municipal Market Data, a divisions of Thomson Reuters, any successor or any other similar nationally recognized service, plus 1.00%.

“*Default*” and “*Event of Default*” mean any occurrence or event specified in and defined as such in the Master Trust Agreement, including, but not limited to, those items summarized under the heading Defaults; Events of Default below.

“*Director*” means the Director of the IEPA.

“*Drinking Water Participant(s)*” means, individually or collectively, as applicable, Participants whose Loans are funded under the Drinking Water Program.

“*Drinking Water Program*” means the Illinois Drinking Water State Revolving Fund Program established and administered by the IEPA to carry out the purposes of the Act and the Safe Drinking Water Act.

“*DWSRF Loan*” means a Loan made to a Participant under the Drinking Water Program.

“*DWSRF Reserve Account*” means the account created in the Equity Fund with respect to the Drinking Water Program.

“*DWSRF Revenue Account*” means the account created in the Revenue Fund for the deposit of investment earnings and Loan repayments made by the Participants with respect to the Drinking Water Program.

“*EPA*” means the United States Environmental Protection Agency or any successor entity which may succeed to the administration of the programs established by the Water Quality Act or the Safe Drinking Water Act.

“*Equity Fund*” means the trust fund described under the heading Equity Fund below.

“*Executive Director*” means the Executive Director of the Authority.

“*Federal Environmental Laws*” means the Water Quality Act and the Safe Drinking Water Act, each as amended, and any other federal statutes related or supplemental thereto, as well as any written guidance, policies, procedures, questions and answers, regulations and rules of the EPA relating to such acts, other statutes or the SRF Programs.

“*Federal Securities*” means (a) bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and (b) bonds, notes, debentures and similar obligations of the United States of America, federal land banks, federal intermediate



credit banks, banks for cooperatives, federal farm credit banks, federal home loan banks and the Federal Home Loan Mortgage Corporation.

*"Governmental Obligations"* means non-callable direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein.

*"Grant Proceeds"* means the funds received under a capitalization grant award made to the IEPA by the EPA under the terms of a Capitalization Grant Agreement.

*"Granting Clause"* means the Granting Clause of the Master Trust Agreement, pursuant to which the Master Trust Estate is established for Bondholders.

*"IEPA"* means the Illinois Environmental Protection Agency, or any successor to the duties and functions of such Agency.

*"Indebtedness"* means all debt or obligations payable from the Revenues of the SRF Program and the funds, accounts and subaccounts held pursuant to the Master Trust Agreement.

*"Independent Counsel"* means any lawyer or firm of lawyers not in the regular employ of the Authority or the IEPA, duly admitted to practice law before the highest court of the State and approved by the Authority.

*"Interest Payment Date"* means any date on which an installment of interest is payable on a Series of Bonds, which shall be, unless otherwise provided in a Supplemental Master Trust Agreement, each January 1 and July 1.

*"Leveraged CWSRF Portion"* shall mean that portion of a Series of Bonds described in the applicable Supplemental Master Trust Agreement.

*"Leveraged DWSRF Portion"* shall mean that portion of a Series of Bonds described in the applicable Supplemental Master Trust Agreement.

*"Leveraged Portions"* shall mean, individually or collectively, as applicable, the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of a Series of Bonds.

*"LIBOR"* shall mean the interest rate per annum which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Bank which has been approved by the British Bankers' Association as an authorized information vendor for the purpose of displaying rates at which US dollar deposits are offered by leading banks in the London interbank deposit market (an "Alternate Source"), at approximately 11:00 a.m., London time, as the one (1) month London interbank offered rate for U.S. Dollars commencing on such Reset Date (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by the Master Trustee at such time (which determination shall be conclusive absent manifest error)).

“*Loan*” means the principal amount of moneys loaned to any Participant under an Agreement.

“*Loan Origination Fund*” means the trust fund described under the heading Loan Origination Fund below.

“*Loan Support Fees*” means the loan support fees charged to Participants under the Agreements.

“*Local Obligation*” means the bond, note or other obligation issued by a Participant to evidence the Loan made to such Participant.

“*Master Trust Agreement*” means the Master Trust Agreement, as from time to time amended and supplemented in accordance with terms of the Master Trust Agreement.

“*Master Trust Estate*” means the property pledged and conveyed to the Master Trustee pursuant to the Granting Clauses of the Master Trust Agreement.

“*Master Trustee*” means Amalgamated Bank of Chicago, an Illinois State banking association, and any successor master trustee.

“*Memorandum of Agreement*” means the Memorandum of Agreement dated as of November 1, 2013 by and between the Authority and the IEPA, as from time to time amended and supplemented in accordance with its terms.

“*Officer’s Certificate*” means a certificate signed by an Authorized Officer of the Authority, as may be required under the Master Trust Agreement, in the form attached to the Master Trust Agreement, with such changes as are needed from time to time in connection with delivery of such Officer’s Certificate.

“*Opinion of Bond Counsel*” means a written opinion of Bond Counsel addressed to the Authority and the Master Trustee.

“*Outstanding Bonds*” or “*Bonds Outstanding*” mean all Bonds which have been authenticated and delivered by the Master Trustee under the Master Trust Agreement, except:

(a) Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, maturity;

(b) Bonds for which moneys shall have been theretofore deposited with the Master Trustee for the payment or redemption thereof (whether upon or prior to the maturity or redemption date of any such Bonds) in satisfaction of the requirements of the Master Trust Agreement described under the heading Discharge of Liens below; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee; and

(c) Bonds in lieu of which others have been authenticated under the Master Trust Agreement.

*"Owner"* or *"Bondowner"* means any *"Bondholder"*, *"holder"* or *"owner"* of any Bond, as provided in a Supplemental Master Trust Agreement.

*"Participant"* means the unit of local government that is the obligor under the applicable Agreement with respect to a Loan.

*"Paying Agent"* means the Master Trustee and any commercial bank or trust company at any time designated pursuant to the Master Trust Agreement to serve in addition to the Master Trustee as the paying agencies or places of payment for the Bonds, and successors designated pursuant to the Master Trust Agreement.

*"Pledged Agreement"* or *"Pledged Agreements"* means, individually or collectively, as applicable, the Loan Agreements between the IEPA and each of the Participants which are assigned to the Authority and pledged to the repayment of the Bonds, including without limitation, the related Local Obligations.

*"Program Assets"* means (i) Revenues, (ii) all additional moneys on hand within the Master Trust Agreement which may be available to pay Debt Service on the Bonds, and (iii) all other moneys received by the Authority and designated by the Authority as such in any Officer's Certificate. The designation by the Authority of any moneys as Program Assets shall specify in which fund, account or subaccount the moneys shall be deposited.

*"Project"* shall have the meaning set forth in the Act.

*"Projected Asset Coverage Ratio"* means, for any future period, the ratio determined by dividing (a) a numerator equal to the projected Program Assets for the current and each future Bond Year, and (b) a denominator equal to the Debt Service for the Indebtedness secured by the Master Trust Agreement and the Additional Indebtedness proposed to be incurred for the current and each future Bond Year.

*"Projected Debt Service Coverage Ratio"* means, for any future period, the ratio determined by dividing (a) a numerator equal to the projected Revenues for the current and each future Bond Year, and (b) a denominator equal to the Debt Service for the Indebtedness secured by the Master Trust Agreement and the Additional Indebtedness proposed to be incurred for the current and each future Bond Year in which Bonds shall be Outstanding.

*"Put Indebtedness"* means Indebtedness which is (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration.

*“Qualified Investments”* means any of the following securities which, at the time of purchase, are legal for the investment of funds of the Authority held under the Master Trust Agreement:

- (a) Government Obligations.
- (b) Obligations issued or guaranteed by any of the following:
  - (i) Federal Home Loan Bank System;
  - (ii) Export-Import Bank of the United States;
  - (iii) Federal Financing Bank;
  - (iv) Government National Mortgage Association;
  - (v) Farmers Home Administration;
  - (vi) Federal Home Loan Mortgage Corporation;
  - (vii) Federal Housing Administration;
  - (viii) Private Export Funding Corp;
  - (ix) Federal National Mortgage Association; and
  - (x) Federal Farm Credit Bank;

or any indebtedness issued or guaranteed by any instrumentality or agency of the United States.

- (c) Pre-refunded municipal obligations meeting the following conditions:
  - (i) such obligations are (a) not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption and (b) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
  - (ii) such obligations are secured by Government Obligations that may be applied only to interest, principal, and premium payments of such obligations;
  - (iii) the principal of and interest on such Government Obligations (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;
  - (iv) the Government Obligations serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any state of the United States of America, to the payment of which the full faith and credit of such state is pledged and that at the time of purchase are rated in either of the two (2) highest rating categories by, or are otherwise acceptable to, the Rating Agencies.

(e) Direct and general short-term obligations of any state, to the payment of which the full faith and credit of such state is pledged and that at the time of purchase are rated in the highest rating category by, or are otherwise acceptable to, the Rating Agencies.

(f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated AAA-m by Standard & Poor's issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits or interests must be (i) continuously and fully insured by FDIC, (ii) if they have a maturity of one (1) year or less, with or issued by banks that at the time of purchase are rated in one of the two (2) highest short term rating categories by, or are otherwise acceptable to, the Rating Agencies, (iii) if they have a maturity longer than one (1) year, with or issued by banks that at the time of purchase are rated in one of the two highest rating categories by, or are otherwise acceptable to, the Rating Agencies, or (iv) fully secured by Government Obligations. Such Government Obligations must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party should have a perfected first lien in the Government Obligations serving as collateral, and such collateral is to be free from all other third party liens.

(g) Repurchase agreements, (i) the maturities of which are thirty (30) days or less or (ii) the maturities of which are longer than thirty (30) days and not longer than one (1) year provided the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated at the time of purchase investment grade by, or is otherwise acceptable to, the Rating Agencies. The repurchase agreement should be in respect of Government Obligations or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations or obligations described in paragraph (b) exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(A) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations;

(B) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

(C) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(h) Prime commercial paper of a corporation, finance company or banking institution at the time of purchase rated in the highest short-term rating category by, or otherwise acceptable to, the Rating Agencies.

(i) Public housing bonds issued by public agencies. Such bonds must be: fully secured by a pledge of annual contributions under a contract with the United States of America; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or state or public agency or municipality obligations at the time of purchase rated in the highest credit rating category by, or otherwise acceptable to, the Rating Agencies.

(j) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that at the time of purchase has been rated in the highest rating category by, or is otherwise acceptable to, the Rating Agencies.

(k) Money market accounts of any state or federal bank, or bank whose holding parent company is, at the time of purchase rated in one of the top two short-term or long-term rating categories by, or is otherwise acceptable to, the Rating Agencies, including, without limitation any mutual fund for which the Master Trustee or an affiliate of the Master Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Master Trustee or an affiliate of the Master Trustee receives fees from funds for services rendered and (ii) the Master Trustee collects fees for services rendered pursuant to the Master Trust Agreement, which fees are separate from the fees received from such funds.

(l) Investment agreements, the issuer of which is at the time of purchase rated in one of the two highest rating categories, by, or is otherwise acceptable to, the Rating Agencies.

(m) Any debt or fixed income security, the issuer of which is at the time of purchase rated in the highest rating category by, or is otherwise acceptable to, the Rating Agencies.

(n) Investment agreements or guaranteed investment contracts that are fully secured by obligations described in items (a) or (b) of the definition of Qualified

Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

(o) Any other type of investment consistent with Authority policy in which an Authorized Officer of the Authority directs the Trustee to invest and there is delivered to the Trustee a certificate of an Authorized Officer of the Authority stating that each of the Rating Agencies has been informed of the proposal to invest in such investment and each Rating Agency has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any of the Bonds.

*"Rating Agency"* means each of the nationally recognized securities rating services that shall have assigned a rating that is then in effect with respect to a Series of Bonds upon application of the Authority.

*"Rebate Fund"* means the escrow fund described under the heading Rebate Fund below.

*"Record Date"* means the day which is the 15th day of the month preceding any Interest Payment Date.

*"Redemption Price"* means, when used with respect to a Bond or portion thereof to be redeemed, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Master Trust Agreement and the Supplemental Master Trust Agreement pursuant to which the Bond was issued.

*"Registered Owner"* means the person or persons in whose name or names a Bond shall be registered in the Bond Register.

*"Revenue Fund"* means the trust fund described under the heading Revenue Fund below.

*"Revenues"* means (i) all amounts payable to the Authority pursuant to the Pledged Agreements which may be applied to the payment of principal of, premium, if any, and interest on the Bonds (i.e., not including Loan Support Fees) and (ii) all investment earnings on moneys which may be available to pay Debt Service on the Bonds.

*"Safe Drinking Water Act"* means the federal Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., as amended from time to time, or any successor provisions.

*"Securities Depository"* means DTC or any other entity that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such act for the purposes of Section 17A thereof.

“*Series*,” “*Series of Bonds*” or “*Bonds of a Series*” or words of similar meaning means the Series of Bonds authorized by a Supplemental Master Trust Agreement, as applicable, and secured under the Master Trust Agreement.

“*Series Certificate*” means, with respect to any Series of Bonds, the related Officer’s Certificate delivered pursuant to the Master Trust Agreement, as such certificate may be amended from time to time.

“*SIFMA Municipal Index*” means the SIFMA Municipal Swap Index<sup>TM</sup> announced by Municipal Market Data and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Municipal Swap Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days’ notice, the interest on which under the Code, is excludable from gross income for federal income tax purposes. The SIFMA Municipal Swap Index shall not include any bonds the interest on which is subject to any personal “alternative minimum tax” or similar tax unless all tax exempt bonds are subject to such tax; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then “SIFMA Municipal Index” means such other reasonably comparable index selected by the Authority.

“*Sinking Fund Installment*” means the amount so designated for any particular due date required by or pursuant to a Supplemental Master Trust Agreement to be paid by the Authority on a particular due date toward the retirement of any particular Term Bonds prior to their respective stated maturities.

“*SRF Programs*” means, collectively, the Drinking Water Program and the Clean Water Program.

“*State*” means the State of Illinois.

“*State Match*” means the amount of matching State funds required under the Clean Water Act and the Safe Drinking Water Act, which presently equals not less than twenty percent (20%) of the amount of funds available under the applicable Capitalization Grant Agreement issued to IEPA.

“*State Match CWSRF Portion*” shall mean the State Match Portion of a Series of Bonds issued for the Clean Water Program, described in the applicable Supplemental Master Trust Agreement.

“*State Match DWSRF Portion*” shall mean the State Match Portion of a Series of Bonds issued for the Drinking Water Program, described in the applicable Supplemental Master Trust Agreement.

“*State Match Portion*” means that portion of a Series of Bonds issued to fund the State Match for one or more Capitalization Grant Agreements.



*"Supplemental Master Trust Agreement"* means any supplement to or amendment of the Master Trust Agreement duly executed and delivered in accordance with the provisions of the Master Trust Agreement.

*"Swap Agreement"* means, with respect to any Series of Bonds, an interest rate exchange agreement between the Authority and a Swap Counterparty, as amended or supplemented, or other interest rate hedge agreement between the Authority and a Swap Counterparty, as amended or supplemented, entered into pursuant to the terms of the Master Trust Agreement or an applicable Supplemental Master Trust Agreement, for the purpose of converting, in whole or in part, (i) the Authority's fixed interest rate liability on all or a portion of any Series of Bonds to a variable rate liability, (ii) the Authority's variable rate liability on all or a portion of any Series of Bonds to a fixed rate liability or (iii) the Authority's variable rate liability on all or a portion of any Series of Bonds to a different variable rate liability.

*"Swap Counterparty"* means any Person with whom the Authority shall from time to time enter into a Swap Agreement, as specified in a Supplemental Master Trust Agreement.

*"Tax Exemption Certificate"* means the certification of the Authority executed at the time of issuance of the Bonds with respect to the Authority's reasonable expectations as to the use of the proceeds of the Bonds.

*"Term Bonds"* means the Bonds so designated in a Supplemental Master Trust Agreement.

*"Variable Rate Bonds"* means any Bond that bears interest at a variable rate of interest.

*"Water Quality Act"* means the federal Water Quality Act of 1987, 33 U.S.C. Section 1381 et seq., as amended from time to time, or any successor provisions.

## **Pledge of Trust Estate**

In order to secure the payment of the principal and Redemption Price of and interest on any and all Series of Bonds at any time issued by the Authority and secured under the Master Trust Agreement, according to the tenor and effect thereof, and the payment of all other sums, if any, from time to time due to the Owners of all Series of Bonds issued by the Authority and secured under the Master Trust Agreement and for the purpose of securing the performance and observance by the Authority of all the covenants and conditions in the Master Trust Agreement contained, the Authority does hereby convey, transfer, assign, confirm, pledge and grant a security interest in the following described properties, rights, interest and benefits (whether tangible or intangible) which are collectively called the "Master Trust Estate", to the Master Trustee, and its successor or successors in trust, as Master Trustee for the benefit of the Owners of all Series of Bonds issued by the Authority and secured under the Master Trust Agreement:

A. All Pledged Agreements (defined in the Master Trust Agreement) which may from time to time be assigned to or held by the Master Trustee under the terms of the Master Trust Agreement (other than Loan Support Fees due under the Pledged Agreements) or the Assignment Agreement;

B. All moneys, securities and earnings thereon in all funds, sub-funds, accounts and sub-accounts established under the Master Trust Agreement or any Supplemental Master Trust Agreement, except for moneys deposited in the Loan Support Fee Subaccount of the Revenue Fund Rebate Fund and moneys deposited with or paid to the Master Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except that moneys representing the repayment of principal of the Pledged Agreements or the Grant Proceeds shall not be pledged to or used for the payment of the State Match Portion of any Bonds issued under the Master Trust Agreement; and

C. Any and all other moneys and securities furnished from time to time to the Master Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Master Trustee under the terms of the Master Trust Agreement;

SUBJECT, HOWEVER, to the right of the Authority to withdraw or otherwise cause to be substituted for or released from the Master Trust Estate any Pledged Agreements and other assets pursuant the Master Trust Agreement as described under the heading Discharge of Liens below.

SUBJECT, FURTHER, HOWEVER, to the qualification that the lien on and pledge of amounts on deposit in any fund or account shall not secure any Bonds for which a Supplemental Master Trust Agreement expressly waives the lien on and pledge of amounts on deposit in such fund or account.

### **Issuance of Bonds**

In order to provide sufficient moneys for the Authority to conduct the SRF Program and to make the deposits to certain funds and accounts specified in the Master Trust Agreement or in any Supplemental Master Trust Agreement and to refund Bonds and other Additional Indebtedness of the Authority, Bonds of the Authority are authorized to be issued from time to time without limitation as to amount except as provided in the Master Trust Agreement or by law. The Bonds shall be issued subject to the terms, conditions and limitations established in the Master Trust Agreement, and secured by the pledge thereof.

### **Conditions to Securing Bonds Under Master Trust Agreement**

In order for any Series of Bonds to be secured by the Master Trust Agreement, prior to or simultaneously with the authentication and delivery of the Series of Bonds, the Master Trustee shall receive the following:

- (a) an original executed counterpart of an Officer's Certificate:
  - (i) stating that the Series of Bonds is entitled to the benefits of the Master Trust Agreement; and
  - (ii) directing the Master Trustee as to the creation of any funds and accounts to be established for the Series of Bonds which are in addition to those established under the Master Trust Agreement, and stating whether or not

any of such funds or accounts are to be held as part of the Master Trust Estate.

(b) an original executed counterpart or a copy, certified by an Authorized Officer, of the Master Trust Agreement.

(c) a copy of the applicable Authorizing Resolution, duly certified by the Secretary of the Authority;

(d) an original executed counterpart of the applicable Supplemental Master Trust Agreement;

(e) an Officer's Certificate, containing a written request and authorization to the Master Trustee on behalf of the Authority, to authenticate and deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Master Trustee of the sum therein specified including accrued interest on the Bonds to the date of delivery, if any, and setting forth instructions as to the delivery and application of the proceeds of the Bonds; and

(f) an Opinion of Bond Counsel to the effect that the Bonds are valid and legally binding limited obligations of the Authority and that the interest on the Bonds is excludable from gross income for federal income tax purposes (unless such bonds are intended to be issued as bonds the interest on which is includable in gross income for federal income tax purposes).

### **Supplemental Master Trust Agreements**

Each Supplemental Master Trust Agreement authorizing the issuance of a Series of Bonds shall be accompanied by the written report of an Authorized Officer described under the heading Issuance of Additional Indebtedness below and shall include a determination by the Authority to the effect that the principal amount of said Series of Bonds is necessary to provide sufficient funds to reimburse the IEPA for money previously spent or to be used and expended for the SRF Program and shall specify and determine, among other things, the purposes for which such Series of Bonds are being issued, and the terms of such Series of Bonds.

### **Issuance of Additional Indebtedness**

The Authority may not incur Additional Indebtedness on a parity with the Bonds unless there is first delivered to the Master Trustee a written report of an Authorized Officer stating that either (i) the Projected Debt Service Coverage Ratio for each subsequent Bond Year is not less than 1.05: 1.00 taking into account all Outstanding Bonds and other Outstanding Additional Indebtedness, including the proposed Additional Indebtedness or (ii) the Projected Debt Service Coverage Ratio for each subsequent Bond Year would be higher taking into account all Outstanding Bonds and other Outstanding Additional Indebtedness, including the proposed Additional Indebtedness, than the Projected Debt Service Coverage Ratio for each subsequent Bond Year if no Additional Indebtedness was issued. The Authority may issue Additional Indebtedness that is subordinate to Outstanding Bonds if there is first delivered to the Master Trustee a written report of an Authorized Officer stating the Projected Debt Service Coverage Ratio for each subsequent Bond Year is not less than 1.00: 1.00, including the proposed Additional Indebtedness. The Authority may consider all expected revenues to the Authority

from the issuance of the Additional Indebtedness including at the time of issuance any and all moneys held in the funds, accounts and subaccounts of the Master Trust Agreement, except moneys in the Loan Support Fee Subaccount of the Revenue Fund or the Rebate Fund.

### **Leveraged and State Match Portions**

The Bonds may be comprised of a State Match CWSRF Portion, a State Match DWSRF Portion, a Leveraged CWSRF Portion and a Leveraged DWSRF Portion, all as specified in the applicable Supplemental Master Trust Agreement, and subject to adjustment as set forth in an Officer's Certificate. The State Match CWSRF Portion represents that portion of the Bonds issued to provide the State Match for the Clean Water Program. The State Match DWSRF Portion represents that portion of the Bonds issued to provide the State Match for the Drinking Water Program. The Leveraged CWSRF Portion represents that portion of the Bonds issued to provide the Leveraged Portion for the Clean Water Program. The Leveraged DWSRF Portion represents that portion of the Bonds issued to provide the Leveraged Portion for the Drinking Water Program.

The establishment of the funds and accounts as set forth in the Master Trust Agreement, and the deposit and disbursal of moneys held thereunder are intended to ensure that the principal repayments of Loans made under the Clean Water Program and the Drinking Water Program shall be used only to pay amounts due on the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds, respectively. Interest payments on Loans and investment earnings shall be used first to pay amounts due on the State Match CWSRF Portion and State Match DWSRF Portion of the Bonds, and then to pay any remaining amounts due on the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds, respectively.

### **Establishment of Funds and Accounts**

(a) The Authority created and established the following funds, accounts and subaccounts, to be held in trust by the Master Trustee:

(i) Loan Origination Fund, consisting of a CWSRF State Match Loan Account, a CWSRF Leveraged Loan Account, a DWSRF Leveraged Loan Account and a DWSRF State Match Loan Account;

(ii) Costs of Issuance Fund, consisting of a CWSRF Account and a DWSRF Account;

(iii) Revenue Fund, consisting of a CWSRF Revenue Account and a DWSRF Revenue Account and within each such account a Principal Subaccount, an Interest Subaccount, a Loan Support Fee Subaccount and a Redemption Subaccount;

(iv) Bond Fund, consisting of a CWSRF Account and a DWSRF Account and within each such account a State Match Portion Subaccount and a Leveraged Portion Subaccount;

(v) Equity Fund, consisting of a CWSRF Account and a DWSRF Account and within each such account a principal Subaccount, an Interest Subaccount and a Reserve Subaccount; and

(vi) Rebate Fund, consisting of a CWSRF Account and a DWSRF Account.

(b) Pursuant to Section 801-50 of the Act, the Master Trust Estate and the other moneys and securities hereby pledged shall immediately be subject to the lien and pledge of the Master Trust Agreement without any physical delivery or further act, and the lien and pledge of the Master Trust Agreement shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice of the Master Trust Agreement.

Nothing in the Master Trust Agreement shall preclude the Authority from pledging certain reserve funds established under a Supplemental Master Trust Agreement for the benefit of only one or more specified Series of Bonds.

### **Loan Origination Fund**

(a) The Master Trustee shall deposit in the applicable accounts and subaccounts of the Loan Origination Fund, such amounts as shall be stated in each Supplemental Master Trust Agreement, and subject to final allocation as set forth in an Officer's Certificate. Moneys in the Loan Origination Fund shall be disbursed by the Master Trustee for Loans made pursuant to Agreements to finance Projects being undertaken by Participants and to reimburse the IEPA for Loans pursuant to existing Agreements entered into with Participants and funded from other moneys and assets of the SRF Program upon receipt of Officer's Certificate signed by the Authority requesting such disbursement and setting forth and depositing the Pledged Agreements related to such Loans.

(b) Moneys in the Loan Origination Fund shall be invested in accordance with the Master Trust Agreement.

(c) Any moneys remaining in an account of the Loan Origination Fund for a particular Series of Bonds shall be transferred to redeem Bonds of the same Series as required by, and in the manner set forth in, the extraordinary mandatory redemption provisions contained in any related Supplemental Master Trust Agreement.

### **Costs of Issuance Fund**

The Master Trustee shall deposit in the applicable Series account of the Costs of Issuance Fund such amounts as shall be stated in a corresponding Supplemental Master Trust Agreement or in an Officer's Certificate signed by the Authority. Monies in the applicable Series account of the Costs of Issuance Fund shall be expended and disbursed by the Master Trustee solely for the payment of the Costs of Issuance in accordance with the instructions set forth in the corresponding Officer's Certificate. Any balance remaining in the Costs of Issuance Fund on the 180th day following the issuance of the applicable Series of Bonds (or, if sooner, after the payment of all Costs of Issuance relating to the Bonds) shall be transferred to the Bond Fund or

to another fund or account in each case as may be specified in an Officer's Certificate or in a Supplemental Master Trust Agreement. Unless otherwise provided by the applicable Supplemental Master Trust Agreement, investment earnings on all moneys held in the Costs of Issuance Fund shall be deposited on the first Business Day of each month into the applicable Interest Subaccount of the Revenue Fund.

### **Revenue Fund**

The Revenue Fund shall be used to collect Revenues paid to the Authority under the Pledged Agreements plus investment income from the investment of moneys within certain funds and accounts created under the Master Trust Agreement. The Revenue Fund shall consist of a CWSRF Revenue Account and a DWSRF Revenue Account, each of which shall have the following subaccounts:

- (a) Principal Subaccount;
- (b) Interest Subaccount;
- (c) Redemption Subaccount; and
- (d) Loan Support Fee Subaccount.

That portion of each payment under the Pledged Agreements which represents the scheduled repayment of principal shall be deposited into the applicable Principal Subaccount upon receipt in accordance with the invoice attached to each such payment. That portion of each payment under the Pledged Agreements which represents interest on the Loan shall be deposited into the applicable Interest Subaccount upon receipt. That portion of each payment under the Pledged Agreements identified on the accompanying invoice as Loan Support Fees on the Loan shall be deposited as received in the Loan Support Fee Subaccount and shall not be subject to the lien of the Master Trust Agreement. As set forth in the Master Trust Agreement, all investment income earned on various funds and accounts created under the Master Trust Agreement (except for the Rebate Fund and the Loan Support Fee Subaccount and unless otherwise directed by a Supplemental Master Trust Agreement), shall be transferred into or credited to the applicable Interest Subaccount upon receipt.

All principal amounts received from Participants pursuant to an optional prepayment of all or a portion of their Pledged Agreements, other than any initial payments deemed received by the Authority in connection with Loan sizing at the conclusion of construction of each Project, shall be deposited in the applicable Redemption Subaccount upon receipt.

At the times set forth as described under the headings Bond Fund and Equity Fund below the Master Trustee shall transfer the required amounts from the applicable Principal Subaccounts and Interest Subaccounts of the Revenue Fund to the appropriate accounts of the Bond Fund or Equity Fund. The Master Trustee thereafter shall transfer all excess amounts remaining on deposit in the Principal Subaccounts and Interest Subaccounts of the Revenue Fund attributable to the Bonds to the appropriate subaccounts of the Equity Fund.

On the first Business Day of each month, the Master Trustee shall: (i) transfer all amounts held in the Loan Support Fee Subaccounts to the IEPA and (ii) transfer all amounts held in the Redemption Subaccounts to the applicable principal subaccount of the Equity Fund.

### **Bond Fund**

(a) There shall be deposited into the applicable State Match Portion Subaccount of the Bond Fund all accrued interest received, if any, at the time of the issuance and delivery of the Bonds. In addition, there shall be deposited into the applicable State Match Portion Subaccounts of the Bond Fund (i) first from the moneys on deposit in the applicable Interest Subaccounts of the Revenue Fund, and (ii) second from moneys on deposit in the applicable Interest Subaccounts of the Equity Fund, on each Interest Payment Date, an amount which when aggregated shall be sufficient to pay the principal of the State Match Portions of the Bonds due on such Interest Payment Date, including the sinking fund installments due on such date, plus the interest due on such Interest Payment Date on the State Match Portions of the Bonds Outstanding.

(b) There shall be deposited into the applicable Leveraged Portion Subaccounts of the Bond Fund all accrued interest received, if any, at the time of the issuance and delivery of the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds. In addition, there shall be deposited into the Leveraged Portion Subaccount of the Bond Fund, on each Interest Payment Date, an amount which when aggregated shall be sufficient to pay the principal of the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds due on such Interest Payment Date, including the sinking fund installments due on such date, plus the interest due on such Interest Payment Date on the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds Outstanding, from the following sources and in the following order of priority: (i) moneys on deposit in the applicable Principal Subaccounts of the Revenue Fund, (ii) moneys on deposit in the applicable Interest Subaccounts of the Revenue Fund (it being the intent that the Leveraged Portion Subaccount of the Bond Fund receive these moneys only after the State Match Portion Subaccounts of the Bond Fund have received sufficient funds to meet their debt service payment requirements), and (iii) moneys on deposit in the Equity Fund.

(c) If on any Interest Payment Date there shall be a deficiency in any account or subaccount of the Bond Fund remaining after the foregoing transfers from the Revenue Fund have been made, with the result that the full amount of principal of and interest on the Bonds due on said Interest Payment Date cannot be so paid in full from the Bond Fund, the Master Trustee shall promptly transfer from the applicable account of the Equity Fund to the Bond Fund the amount necessary to make the debt service payment on said Interest Payment Date.

(d) The transfers described under this heading ensure that no moneys representing the repayment of principal of any Loans or Grant Proceeds shall be used for the payment of the State Match Portions of the Bonds. The Authority covenants and agrees that, should there be a default under the Pledged Agreements, the Authority shall fully cooperate with the Master Trustee and with the Bondholders to fully protect the rights and security of the Bondholders and shall diligently proceed in good faith and use its best efforts so that at all times sufficient amounts will be available to promptly meet and pay the principal of and interest on the Bonds as the same

become due and payable. Nothing in the Master Trust Agreement shall be construed as requiring the Authority to use any funds or Revenues from any source other than amounts pledged under the Master Trust Agreement.

(e) Investment earnings on all moneys held in the Bond Fund shall be deposited on the first Business Day of each month to the applicable Interest Subaccount of the Revenue Fund.

### **Equity Fund**

The Master Trustee shall deposit in the Equity Fund such amounts as shall be stated in a Supplemental Master Trust Agreement or an Officer's Certificate signed by the Authority.

(a) Subject to the uses described under this heading, funds, securities and other investments, loans, Pledged Agreements and other property held from time to time in the Equity Fund are available for, and pledged to, the payment of the debt service on the Bonds when due and the payment of any other amounts required to be paid from time to time from the funds and accounts established pursuant to the Master Trust Agreement or any Supplemental Master Trust Agreement. Funds on deposit in the Equity Fund shall be used to make up any deficiencies in the Bond Fund, or Rebate Fund and shall be transferred to the Bond Fund if required on any Interest Payment Date or other payment date prior to any transfer otherwise required in the Master Trust Agreement. Unless otherwise required in a Supplemental Master Trust Agreement or a resolution of the Authority, the Authority shall not be required to maintain any minimum balance in the Equity Fund and the Authority makes no covenant to Bondholders or any other party that funds or other assets will be available in the Equity Fund in the event of a deficiency in the Bond Fund on any payment date. Available funds on deposit in the Equity Fund not used to make up such deficiencies may be used to make Loans and to reimburse the IEPA for Loans pursuant to Agreements funded from moneys and assets of the SRF Program, provided that the related Agreements will become Pledged Agreements.

(b) Pursuant to the applicable Supplemental Master Trust Agreement or upon receipt of an Officer's Certificate, the Master Trustee shall deposit in the applicable account or subaccount of the Equity Fund any funds, securities or other investments, loans or other property provided by the Authority and not otherwise pledged under the Master Trust Agreement. The Master Trustee may deposit Grant Proceeds identified as such by the Authority in the applicable account or subaccount of the Equity Fund, as directed by the Authority from time to time. In addition, the Equity Fund shall hold surplus funds transferred to the Equity Fund pursuant to the Master Trust Agreement.

(c) In addition to the uses described in paragraph (a), amounts on deposit in the Equity Fund may be withdrawn from the Equity Fund and used to pay fees and expenses of the Master Trustee and to pay the annual management fee of the Authority set forth in the Memorandum of Agreement. Additionally, provided that there is first delivered to the Master Trustee a written report of an Authorized Officer stating that the Projected Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20: 1.00, taking into account the proposed transfer from the Equity Fund, funds in the Equity Fund may be withdrawn from the Equity Fund and used to make grants, and deposits, provide other subsidies and assistance in connection with



the SRF Program or used for any lawful purpose by the IEPA upon such terms as the Authority may determine in accordance with the Memorandum of Agreement.

(d) Any moneys held in the Equity Fund may be invested or reinvested in Qualified Investments as may be authorized by law and as may be directed by an Authorized Officer in accordance with the provisions of the Master Trust Agreement. Any interest or income earned with respect to any said securities, loans or other property shall likewise be retained in the Equity Fund.

### **Rebate Fund**

The Master Trustee shall deposit into the applicable Series subaccount of the Rebate Fund the amounts required by an Officer's Certificate from the applicable Interest Subaccounts of the Revenue Fund. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under Section 148 of the Code and to pay or reimburse allowable costs related to the calculation of the amounts due, or if amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Master Trustee shall transfer such excess amounts to the applicable Interest Subaccounts of the Revenue Fund as directed in an Officer's Certificate. The Rebate Fund and all amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Bondholders or any other person and shall not constitute part of the Master Trust Estate.

### **State Revolving Funds**

(a) The following funds and accounts are a part of the "state revolving fund" within the meaning of the Water Quality Act:

- (i) the CWSRF Account of the Bond Fund;
- (ii) the CWSRF Leveraged Loan Account and the CWSRF State Match Loan Account of the Loan Origination Fund;
- (iii) the CWSRF Revenue Account of the Revenue Fund; and
- (iv) the Clean Water Account of the Equity Fund maintained by the Master Trustee.

All funds, accounts and subaccounts created in the Master Trust Agreement which are a part of the "state revolving fund" for purposes of the Water Quality Act are intended to be used and expended in a manner consistent with the IEPA Act, the Water Quality Act and all lawfully promulgated regulations thereunder.

(b) The following funds and accounts are a part of the "state revolving fund" within the meaning of the Safe Drinking Water Act:

- (i) the DWSRF Account of the Bond Fund;

- (ii) the DWSRF Leveraged Loan Account and the DWSRF State Match Loan Account of the Loan Origination Fund;
- (iii) the DWSRF Revenue Account of the Revenue Fund; and
- (iv) the Drinking Water Account of the Equity Fund maintained by the Master Trustee.

All funds, accounts and subaccounts created in the Master Trust Agreement which are a part of the "state revolving fund" for purposes of the Safe Drinking Water Act are intended to be used and expended in a manner consistent with the Water Quality Act, the Safe Drinking Water Act and all lawfully promulgated regulations thereunder.

#### **Cross-Collateralization of the Drinking Water Accounts and Clean Water Accounts; Payment of Debt Service**

The Authority may deliver at any time to the Master Trustee an Officer's Certificate pursuant to which the Authority can direct the transfer of funds or the allocation of liabilities within a Drinking Water Account to a Clean Water Account of any Fund, or funds or the allocation of liabilities within a Clean Water Account to a Drinking Water Account of any Fund. The only limitation on the transfer of funds from Drinking Water Accounts to Clean Water Accounts or Clean Water Accounts to Drinking Water Accounts shall be as set forth by the Act, the Water Quality Act and the Safe Drinking Water Act. In addition, any moneys, funds, revenues or other assets in any funds, accounts or subaccounts created in the Master Trust Agreement may be used to pay debt service with respect to any Bonds outstanding pursuant to the Master Trust Agreement (except as limited thereby) as permitted by the Act, the Water Quality Act and the Safe Drinking Water Act.

#### **Source of Payment of Bonds**

The Bonds and all debt service payments by the Authority under the Master Trust Agreement are not general obligations of the Authority but are limited obligations payable solely from Revenues and other amounts pledged thereunder. As authorized by the Act and as further provided in the Master Trust Agreement, the Bonds are secured by said Revenues, except that, as described under the heading Leveraged and State Match Portions above, the State Match Portions of the Bonds will not be paid from moneys derived from the repayment of Principal of any Loan or Grant Proceeds. The Bonds shall never constitute an indebtedness of the Authority within the meaning of any constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit.

#### **Payment of Principal, Premium, if any, and Interest**

The Authority covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under the Master Trust Agreement at the place, on the dates and in the manner provided in the Master Trust Agreement and in said Bonds according to the true intent and meaning thereof, but solely from amounts pledged therefor as described under the heading Pledge of Trust Estate above, other than the Loan Support Fee Subaccount of the Revenue Fund and the Rebate Fund, and nothing in the Bonds or in the Master Trust Agreement

shall be construed as pledging any other funds or assets of the Authority. Neither the State nor the Authority nor any political subdivision of the State shall in any event be liable for the payment of the principal of, premium, if any, or interest in any of the Bonds except to the extent of the pledge contained in the Master Trust Agreement. The Authority covenants that it will defend its right to the payment of amounts due under the Pledged Agreements, for the benefit of the holders and owners of the Bonds against the claims and demands of all persons whomsoever.

### **Recording and Filing**

The Authority covenants that it will cause the Master Trust Agreement, and all supplements thereto, and the Pledged Agreements and all supplements thereto, as well as such other security agreements, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, to be filed in such manner and in such places as may from time to time be required by law, including without limitation Section 801-50 of the Act, in order to preserve and protect fully the security of the holders and owners of the Bonds and the rights of the Master Trustee under the Master Trust Agreement, and to take or cause to be taken any and all other action necessary to perfect the security interest created by the Master Trust Agreement.

### **Inspection of Books**

All books and records in the Authority's, the IEPA's or the Master Trustee's possession relating to the Master Trust Agreement and the Loan repayments and other amounts derived pursuant to the Pledged Agreements shall at all reasonable times be open to inspection by such employed accountants, auditors, arbitrage consultants, or other agents as the Master Trustee or the Authority may from time to time designate.

### **List of Bondholders**

The Paying Agent will keep on file a list of names and addresses of all holders of Bonds, together with the principal amount, series, maturity date and CUSIP numbers of such Bonds. At reasonable times and under reasonable regulations and in accordance with applicable laws, said list may be inspected and copied by the Authority or by holders or owners (or a designated representative thereof) of twenty-five percent (25%) or more in principal amount of Bonds then outstanding, such possession or ownership and the authority of such designated representative to be evidenced to the satisfaction of the Master Trustee.

### **Rights Under Pledged Agreements**

The Pledged Agreements, duly executed counterparts of which shall be filed with the IEPA in accordance with the Memorandum of Agreement, set forth the covenants and obligations of the IEPA and each of the Participants, including provisions that subsequent to the issuance of Bonds and prior to payment of the Bonds in full or provision for payment thereof in accordance with the provisions of the Master Trust Agreement, the Pledged Agreements may not be effectively amended, changed, modified, altered or terminated without the written consent of the Authority, and the Authority agrees that the Master Trustee in its name or in the name of the Authority, without further consent of the Authority but with notice to the Authority, may enforce all rights of the Authority and all obligations of each of the Participants under and pursuant to the

Pledged Agreements for and on behalf of the Bondholders, whether or not the Authority is in default under the Master Trust Agreement.

### **Tax Covenants of the Authority**

(a) To the extent applicable for each Series of Bonds, the Authority shall not use or permit the use of any proceeds of the Bonds or any other funds of the Authority pledged under the Master Trust Agreement, directly or indirectly, to acquire any “higher yielding investments” when a “temporary period” is not applicable, as such terms are defined in Section 148 of the Code. To the extent applicable for each Series of Bonds, the Authority shall not use, or permit the use of, any amounts held under the Master Trust Agreement in any manner, and shall not take or permit to be taken any other action or actions, which would cause any of the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code or any successor provision, or which would otherwise cause interest on the Bonds to become includable as gross income of the owners thereof for purpose of federal income taxation.

(b) To the extent applicable for each Series of Bonds, the Authority covenants and agrees that it will take all necessary and appropriate actions reasonably within its control, including (i) rebating any excess investment earnings to the United States and (ii) taking all necessary steps to satisfy any exceptions to arbitrage rebate requirements contained in the Code under Section 148(f)(4)(B)(i) and (C), as hereafter may be required to assure the continuing exclusion of interest on the Bonds from the gross income of the owners thereof for the purposes of federal income taxation. To the extent applicable for each Series of Bonds, the Authority further covenants and agrees not to act in any other manner which would adversely affect the exemption of interest on any Bonds from gross income for purposes of federal income taxation.

### **Pledged Agreements**

The Authority may at any time release specified Pledged Agreements from the lien of the Master Trust Agreement, or substitute and add new Pledged Agreements to the lien of the Master Trust Agreement, in each case by preparing and filing with the Master Trustee and each Rating Agency then maintaining a rating on the Bonds, an Officer’s Certificate (i) describing the specific Pledged Agreements to be released or, if applicable, substituted therefore or added thereto, and the extent to which the Officer’s Certificate described under the heading Conditions to Securing Bonds Under Master Trust Agreement above should be deemed modified as a result of such release, substitution or addition; (ii) stating, on the basis of such supporting schedules as shall be attached, that after the release of any such Pledged Agreements from the lien of the Master Trust Agreement, and taking into account the principal and interest payment which the Authority reasonably expects will be received under the Pledged Agreements, if any, which are to be substituted therefore or added thereto upon the release and the other Revenues available for the payment of the principal of and interest on the Bonds, the resulting Revenues are reasonably expected to be sufficient to pay the State Match CWSRF Portion, State Match DWSRF Portion, Leveraged CWSRF Portion and Leveraged DWSRF Portion of the principal of and interest due on the Bonds on each Interest Payment Date and at maturity thereof; and (iii) stating that the Projected Debt Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20:1.00, taking into account the proposed release or substitution, as applicable.

## **Investment of Moneys**

Any moneys held as part of the funds or accounts created or authorized under the Master Trust Agreement shall be invested and reinvested by the Master Trustee, at the written direction of the Authority, in Qualified Investments.

## **Discharge of Liens**

If the Authority shall pay or cause to be paid, or there shall be otherwise paid or provisions for payment made to or for the holders and owners of the Bonds, the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and if the Authority shall not then be in default in any of the other covenants and promises in the Bonds and in the Master Trust Agreement expressed as to be kept, performed and observed by it or on its part, and shall pay or cause to be paid to the Master Trustee and any Paying Agents all sums of money due or to become due according to the provisions of the Master Trust Agreement, then these presents and the Trust Estate and rights hereby granted shall cease, determine and be void with respect to the Bonds, whereupon the Master Trustee shall cancel and discharge the lien of the Master Trust Agreement with respect to the Bonds and release, assign and deliver unto the Authority any and all instruments as shall be requisite to cancel and discharge the lien of the Master Trust Agreement with respect to the Bonds and release, assign and deliver any and all of the Trust Estate, right, title and interest in and to any and all rights assigned to the Master Trustee or otherwise subject to the lien of the Master Trust Agreement with respect to the Bonds except moneys or securities otherwise held by the Master Trustee for the payment of the principal of, premium, if any, and interest on the Bonds.

Any Bond or Series of Bonds shall be deemed to be paid for all purposes of the Master Trust Agreement when (a) payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Master Trust Agreement, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Master Trustee in trust, and the Master Trustee shall have irrevocably set aside exclusively for such payment, (1) moneys and/or (2) Governmental Obligations maturing as to principal and interest in such amount and at such times as collectively will insure that moneys are available in an amount sufficient to make such payment; and (b) all necessary and proper fees, compensation and expenses of the Master Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Master Trustee. In determining the sufficiency of the moneys and/or Government Obligations deposited pursuant to clause (a)(ii) of this paragraph, the Master Trustee shall be entitled to receive, at the expense of the Authority, and may rely on a verification report of a firm of nationally recognized independent certified public accountants. At such time as a Bond shall be deemed to be paid under the Master Trust Agreement, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Master Trust Agreement, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until: (a) proper notice of redemption of such Bonds shall have been previously given in accordance with the Master Trust Agreement, or in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, until the Authority shall have given the Master Trustee, in form satisfactory to the Master Trustee, irrevocable instructions to notify, as soon as practicable, the owners of the Bonds in accordance with the Master Trust Agreement, that the deposit required by (a)(ii) above has been made with the Master Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds; or (b) the maturity of such Bonds.

Any moneys so deposited with the Master Trustee may at the direction of the Authority be invested and reinvested in Governmental Obligations, maturing in the amounts and times as set forth above. All income from all Governmental Obligations in the hands of the Master Trustee as described under this heading, in the opinion of the Authority set forth in an Officer's Certificate, is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

#### **Defaults; Events of Default**

If any one or more of the following events occur, subject to the provisions summarized below under the heading Other Remedies; Rights of Bondholders below, it shall constitute an "Event of Default":

- (a) Default in the due and punctual payment of interest of any Bond.
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity or redemption date thereon.
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Master Trust Agreement and failure to remedy the same after notice thereto as described under the heading Notice of Defaults; Opportunity of the Authority to cure such defaults below. The term "Default" means default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Master Trust Agreement exclusive of any period of grace required to constitute a Default or an "Event of Default" as provided above.

If an Event of Default shall occur, the Master Trustee shall, within five (5) Business Days after knowledge of such Event of Default, give written notice, by registered or certified mail, of such Event of Default to the Authority and each known Bondholder.

#### **Other Remedies; Rights of Bondholders**

Upon the occurrence of an Event of Default, the Master Trustee may proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal of,

premium, if any, and interest on the Bonds then outstanding; provided, however, that with respect to Bonds, there is no remedy of acceleration under the Master Trust Agreement.

If an Event of Default shall have occurred, and if requested to do so by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding and if indemnified as provided in the Master Trust Agreement, the Master Trustee shall be obligated to exercise one or more of the rights and powers conferred by the Master Trust Agreement, as the Master Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

No remedy by the terms of the Master Trust Agreement conferred upon or reserved to the Master Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the Bondholders now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein; and such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any Default or Event of Default, whether by the Master Trustee or by the Bondholders, shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereon.

### **Rights of Bondholders to Direct Proceedings**

Anything in the Master Trust Agreement to the contrary notwithstanding, the holders of a majority in aggregate principal amount of the Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Trust Agreement, or for the appointment of a receiver or any other proceedings under the Master Trust Agreement; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Trust Agreement.

### **Appointment of Receivers**

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and of the Bondholders under the Master Trust Agreement, the Master Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the payments, including any earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

### **Application of Moneys**

All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Trust Agreement providing for remedies upon the occurrence

of an Event of Default (other than moneys in the Costs of Issuance Fund, the Loan Support Fee Subaccount of the Revenue Fund and the Rebate Fund) shall, after payment of the reasonable fees, costs, expenses, advances and liabilities incurred, including those incurred, made or assumed by the Master Trustee, in connection with the proceedings resulting in the collection of such moneys, be deposited in the appropriate accounts of the Bond Fund, taking into account the proportions to which the State Match Portions of the Bonds and the Leveraged Portions of the Bonds, respectively, bear to the total Outstanding Bonds, and be applied as follows, provided that no moneys derived from funds known to the Master Trustee, by identification or otherwise, to be Grant Proceeds or the repayment of the principal of any Loan shall be, used for the payment of any State Match Portion of the Bonds. All moneys so deposited in the Bond Fund shall be applied as follows:

(a) Unless the principal of all Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST – To the payment to the persons entitled thereto of all installments of interest due and payable on the Bonds, in the order in which such installments of interest became due and payable, with interest thereon at the rate or rates specified in the respective Bonds to the extent permitted by law, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND – To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held by the Master Trustee pursuant to the provisions of the Master Trust Agreement), in the order of their due dates, with interest on such principal from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full such principal due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD – To the Authority to the extent of any amounts owed to it under the Pledged Agreements, which amounts shall be set forth in an Officer's Certificate; and

FOURTH – The balance to the Authority for deposit to the Equity Fund held by the Master Trustee.

(b) If the principal of all the Bonds shall become due, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due in the aggregate for principal and interest, to the persons entitled



thereto without any discrimination or privilege, plus interest on overdue installments of interest or principal at the highest rate of interest borne by the Bonds.

(c) Whenever moneys are to be applied pursuant to the provisions summarized under this heading, such moneys shall be applied at such times, and from time to time, as the Master Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

(d) Whenever the principal of, premium, if any, and interest on all Bonds have been paid under the provisions summarized under this heading and all expenses and, charges of the Master Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the Authority for deposit in the Equity Fund held by the Authority and related to the SRF Programs.

### **Remedies Vested in Trustee**

All rights of action (including the right to file proof of claims) under the Master Trust Agreement or under any of the Bonds may be enforced by the Master Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Master Trustee shall be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the holders of the Outstanding Bonds (except with respect to the distinctions between the Leveraged CWSRF Portion, Leveraged DWSRF Portion, State Match CWSRF Portion and State Match DWSRF Portion of the Bonds).

### **Rights and Remedies of Bondholders**

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Master Trust Agreement or for the execution of any trust of the Master Trust Agreement or for the appointment of a receiver or any other remedy under the Master Trust Agreement, unless a Default has occurred of which the Master Trustee has been notified as described under the heading Notice of Defaults; Opportunity of the Authority to Cure Such Defaults below, or the Master Trustee is deemed to have notice, nor unless also such Default shall have become an Event of Default and the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding shall have made written request to the Master Trustee and shall have offered the Master Trustee reasonable opportunity either to proceed to exercise the powers granted in the Master Trust Agreement or to institute such action, suit or proceeding in the Master Trustee's own name or names, nor unless also they have offered to the Master Trustee indemnity in the Master Trust Agreement, nor unless the Master Trustee shall thereafter fail or refuse to exercise the powers granted in the Master Trust

Agreement, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of the Master Trust Agreement, and to any action or cause of action for the enforcement of the Master Trust Agreement, or for the appointment of a receiver or for any other remedy under the Master Trust Agreement; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Master Trust Agreement by its, his, her or their action or to enforce any right except in the manner provided in the Master Trust Agreement, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Master Trust Agreement provided and for the equal and ratable benefit of the holders of all Bonds then Outstanding. However, nothing contained in the Master Trust Agreement shall affect or impair the right of any Bondholder to enforce the payment of the principal, premium, if any, and interest on any Bond at and after the maturity thereof.

### **Termination of Proceedings**

In case the Master Trustee shall have proceeded to enforce any right under the Master Trust Agreement by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Authority, Master Trustee and the Bondholders shall be restored to their former positions and rights, respectively, with regard to the property subject to the Master Trust Agreement, and all rights, remedies and powers of the Master Trustee shall continue as if no such proceedings had been taken.

### **Waivers of Events of Default**

The Master Trustee may, at its discretion, waive any other Event of Default under the Master Trust Agreement and its consequences, and shall do so upon the written request of the holders of (a) 100% in aggregate principal amount of all the Bonds then outstanding in respect to which default in the payment of principal or interest, or both, exists, or (b) at least a majority in principal amount of all Bonds then outstanding in the case of any other default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any Bonds, unless prior to such waiver or rescission, all arrears of interest and principal, as the case may be, and all expenses of the Master Trustee, in connection with such Default shall have been paid or provided for, and in cases of any such waiver or rescission, or in the case any proceeding taken by the Master Trustee on account of any such Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Master Trustee and the Bondholders shall be restored to their former positions and rights, respectively, but no such waiver or rescission shall extend to any subsequent other default, or impair any right consequent thereon.

### **Notice of Defaults; Opportunity of the Authority to Cure Such Defaults**

No Default under the Master Trust Agreement shall constitute an Event of Default until actual notice of such Default by registered or certified mail shall be given to the Authority by the

Master Trustee or by the holders of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds outstanding, and, in the case of defaults under paragraph (c) of the heading Defaults; Events of Default above, the Authority shall have had sixty (60) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected.

With regard to any default concerning which notice is given to the Authority in accordance with the above summarized provisions, the Authority hereby grants the Master Trustee full authority for account of the Authority to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution.

#### **Notice to Bondholders if Default Occurs**

If a Default occurs of which the Master Trustee is required to take notice or if notice of Default be given to the Master Trustee as therein provided, then the Master Trustee shall give written notice thereof within thirty (30) days by first class mail to the Registered Owner of each Bond shown by the Bond Register.

#### **Intervention by the Master Trustee**

In any judicial proceedings to which the Authority is a party and, which in the opinion of the Master Trustee and its counsel, has a substantial bearing on the interests of owners of the Bonds, the Master Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five percent (25%) of the aggregate principal amount of Bonds then outstanding and, if requested by the Master Trustee provided with an indemnity bond satisfactory to the Master Trustee.

#### **Successor Master Trustee**

Any corporation or association into which the Master Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Master Trustee under the Master Trust Agreement and fully vested with all of the title to the Master Trust Estate and all the trusts, estates, properties, rights, powers, discretions, immunities, privileges, duties and obligations of its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything in the Master Trust Agreement to the contrary notwithstanding.

#### **Resignation/Removal of Master Trustee**

The Master Trustee and any successor Master Trustee may at any time resign from the trusts hereby created by giving sixty (60) days written notice by first class mail to the Authority

and the owner of each Bond as shown by the Bond Register, and such resignation shall take effect at the end of such sixty (60) days (provided a successor Master Trustee has been appointed, approved and has accepted such appointment) or upon the earlier appointment of a successor Master Trustee by the Bondholders or by the Authority.

The Master Trustee may be removed at the option of the Authority (provided no Event of Default has occurred and is continuing) or by the holders and owners of a majority in aggregate principal amount of the Bonds then Outstanding, in each case by an instrument or concurrent instruments in writing delivered to the Master Trustee, and, in the event of a removal by the Bondholders, to the Authority.

#### **Appointment of Successor Trustee by the Authority or the Bondholders**

In case the Master Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Authority (in the case of removal by the Authority) or by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact duly authorized, a copy of which shall be delivered personally or sent by registered mail to Authority; provided, however, that in case of any such vacancy, the Authority by an Officer's Certificate executed by its Chairperson and attested by its Executive Director or Secretary under its seal, may appoint a temporary trustee to fill such vacancy until a successor trustee shall be appointed by the Bondholders in the manner above provided; and such temporary trustee so appointed by the Authority shall immediately and without further act be superseded by the Master Trustee appointed by the Bondholders. Every such Master Trustee appointed pursuant to the provisions summarized under this heading shall be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000 if there be such an institution willing, qualified and able to accept the trust upon customary terms. If no successor Master Trustee shall have been so appointed and accepted appointment within sixty (60) days of such resignation, removal, incapability or the occurrence of a vacancy in the office of Master Trustee in the manner in the Master Trust Agreement provided, the Master Trustee or any Bondholder may petition any court of competent jurisdiction for the appointment of a successor Trustee until a successor shall have been appointed as above provided.

#### **Supplemental Master Trust Agreements Not Requiring Consent of Bondholders**

The Authority and the Master Trustee may, without consent of, or notice to any of the Bondholders, enter into supplements or amendments to the Master Trust Agreement which shall not be inconsistent with the terms and provisions of the Master Trust Agreement for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Master Trust Agreement.

(b) To grant to or confer upon the Master Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Master Trustee.

(c) To evidence the appointment of a Co-Trustee or the succession of a new Master Trustee.

(d) To subject to the lien of the Master Trust Agreement additional revenues, properties or collateral or to confirm, as further assurance, any pledge of or lien upon the Master Trust Estate or any other moneys, securities or funds.

(e) To preserve the exclusion from federal gross income of the interest on the Bonds.

(f) To modify any of the provisions set forth in the Master Trust Agreement to conform to current practices or procedures of DTC or other applicable Securities Depository regarding the Book-Entry system for the Bonds.

(g) To make any other change, which in the judgment of the Master Trustee, does not materially adversely affect the interests of the Bondholders. In exercising such judgment, the Master Trustee may rely on the opinion of Independent Counsel.

(h) To specify, determine or authorize by Supplemental Master Trust Agreement any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the Master Trust Agreement as theretofore in effect.

(i) To make any other change which in the judgment of the Master Trustee does not materially adversely affect the Bondholders; provided that (i) the Master Trustee, in connection with such judgment, may rely conclusively upon the respective opinions or reports of each of the Rating Agencies then rating the Bonds stating that the underlying ratings of the Bonds, without regard to credit enhancement or insurance, will not be adversely affected after such change to conclusively establish whether the change does not materially adversely affect the Bondholders and (ii) the Authority shall provide such written opinions or reports to the Trustee as a precondition to such change.

### **Supplemental Master Trust Agreements Requiring Consent of Bondholders**

Exclusive of Supplemental Master Trust Agreements summarized under the preceding heading and subject to the terms and provisions contained in the provisions summarized under this heading, and not otherwise, the holders of a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Master Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Master Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Trust Agreement or in any Supplemental Master Trust Agreement thereto. Nothing summarized under this heading shall permit, or be construed as permitting, without the consent of the holders of all of the Bonds then outstanding, (a) an extension of the maturity or sinking fund redemption of the principal of or the interest on any Bond issued under the Master Trust

Agreement, or (b) a reduction in the principal amount of or redemption premium on any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Master Trust Agreements, or (e) the creation of any lien ranking prior to or on a parity with the lien of the Master Trust Agreement on the Trust Estate or any part thereof, or (f) the holder of any Bond then Outstanding to be deprived of the lien hereby created on the Trust Estate. For purposes of the Master Trust Agreement and the making of any supplements or amendments hereto, an underwriter or remarketing agent of Bonds who lawfully owns all or a portion of a Series of Bonds is expressly permitted to consent as the holder of the aggregate principal amount of Bonds then owned by such underwriter or remarketing agent, notwithstanding that the underwriter or remarketing agent intends to resell such Bonds immediately after taking ownership of such Bonds.

If at any time the Authority, shall request the Master Trustee to enter into any such Supplemental Master Trust Agreement for any of the purposes summarized in the preceding paragraph, the Master Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Master Trust Agreement to be given by first class mail to the owner of each Bond shown by the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Master Trust Agreement and shall state that copies thereof are on file at the principal office of the Master Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Authority following such notice, the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Master Trust Agreement shall have consented to and approved the execution thereof as in the Master Trust Agreement provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Master Trust Agreement described under this heading, the Master Trust Agreement shall be and be deemed to be modified and amended in accordance therewith.

**APPENDIX B**

**STATE OF ILLINOIS ENVIRONMENTAL PROTECTION AGENCY  
FINANCIAL AUDIT  
FUND 270 - WATER REVOLVING FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

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**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY**

**FINANCIAL AUDIT  
FUND 270 – WATER REVOLVING FUND  
For the Year Ended June 30, 2012**

Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND**

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**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND**

**AGENCY OFFICIALS**

Director	John Kim (01/02/13 to present)
Interim Director	John Kim (10/25/11 to 01/01/13)
	Lisa Bonnett (03/03/11 to 10/24/11)
Director	Douglas Scott (through 03/02/11)
Deputy Director	Lisa Bonnett (11/08/11 to Present)
Acting Deputy Director	Lisa Bonnett (through 11/07/11)
Acting Chief Legal Counsel	Julie Armitage (10/25/11 to Present)
Chief Legal Counsel	John Kim (through 10/24/11)
Fiscal Services Manager	Willa Barger (through 12/31/12)
Chief Internal Auditor	Rusti Cummings (02/01/11 to Present)

***Agency Headquarter offices are located at:***

1021 North Grand Avenue East  
Springfield, Illinois 62794

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND**

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying individual nonshared proprietary financial statements of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency (Agency) was performed by E.C. Ortiz and Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Agency's individual nonshared proprietary financial statements of the Water Revolving Fund.

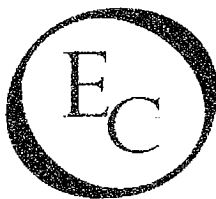
**SUMMARY OF FINDINGS**

The auditors identified a matter involving the Agency's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings listed in the table of contents as finding 12-1, *Inadequate Controls Over Financial Reporting*.

**EXIT CONFERENCE**

The Agency waived having an exit conference in a letter dated January 23, 2013, from the Agency's Chief Internal Auditor, Ms. Rusti Cummings.

The response to the recommendation was provided by Ms. Rusti Cummings in a letter dated February 6, 2013.



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Environmental Protection Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Water Revolving Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois, Environmental Protection Agency as of June 30, 2012, and its changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency, as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2013 on our consideration of the State of Illinois, Environmental Protection Agency's internal control over financial reporting of the Water Revolving Fund and on our tests of the State of Illinois, Environmental Protection Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted a management's discussion and analysis and budgetary comparison information for the Water Revolving Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the fund financial statements. Such missing information, although not a part of the fund financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the fund financial statements in an appropriate operational, economic, or historical context. Our opinion on the fund financial statements is not affected by this missing information.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and Agency management, and is not intended to be and should not be used by anyone other than these specified parties.

*E.C. Ortiz & Co., LLP*

Chicago, Illinois  
February 27, 2013

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 - WATER REVOLVING FUND  
INDIVIDUAL NONSHARED PROPRIETARY FUND**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2012**  
**(amounts in \$000's)**

	<b>Water Revolving Fund (270 Fund)</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 192,504
Securities lending collateral equity with State Treasurer	80,163
Loans and notes receivable	160,115
Other receivables	13,113
Due from federal government	20,577
Due from component unit	134
Other current assets	78
Restricted assets - accrued interest receivable	1,321
Restricted assets - loans receivable	27,521
Total current assets	<u>495,526</u>
Noncurrent assets	
Loans and notes receivable, net of current portion	1,968,272
Restricted assets - loans receivable, net of current portion	172,038
Capital assets, net of accumulated depreciation	56
Other noncurrent assets	261
Total noncurrent assets	<u>2,140,627</u>
<b>TOTAL ASSETS</b>	<u>2,636,153</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	40
Due to component units	53
Due to federal governments	22
Due to local governments	15
Due to other funds	5,076
Obligations under securities lending of State Treasurer	80,163
Compensated absences	101
Total current liabilities	<u>85,470</u>
Noncurrent liabilities	
Long-term obligations	49,137
Compensated absences	1,489
Total noncurrent liabilities	<u>50,626</u>
<b>TOTAL LIABILITIES</b>	<u>136,096</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	56
Restricted for:	
Debt service	200,880
Other purposes	2,000,344
Unrestricted	298,777
<b>TOTAL NET ASSETS</b>	<u>\$ 2,500,057</u>

See accompanying notes to the basic financial statements.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 - WATER REVOLVING FUND  
INDIVIDUAL NONSHARED PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**(amounts in \$000's)**

	<b>Water Revolving Fund (270 Fund)</b>
<b>OPERATING REVENUES</b>	
Interest income on loans - unpledged	\$ 40,571
Interest income on loans - pledged	2,387
Total operating revenues	<u>42,958</u>
<b>OPERATING EXPENSES</b>	
General and administrative	18,525
Principal forgiveness	62,341
Depreciation	59
Total operating expenses	<u>80,925</u>
<b>OPERATING LOSS</b>	<u>(37,967)</u>
<b>NONOPERATING REVENUES</b>	
Interest and investment income	1,194
Other nonoperating revenues	71,970
Total nonoperating revenues	<u>73,164</u>
<b>NONOPERATING EXPENSES</b>	
Interest	3,440
Other nonoperating expenses	1,005
Total nonoperating expenses	<u>4,445</u>
<b>INCREASE IN NET ASSETS</b>	30,752
Transfers-in	2,532
<b>CHANGE IN NET ASSETS</b>	<u>33,284</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,466,773</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,500,057</u></u>

See accompanying notes to the basic financial statements.



**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 - WATER REVOLVING FUND  
INDIVIDUAL NONSHARED PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts in \$000's)

	<b>Water Revolving Fund (270 Fund)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash payments to employees for services	\$ (13,567)
Other payments	(4,751)
Net cash used in operating activities	<u>(18,318)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating grants received	65,008
Interest and principal paid on borrowing	(18,672)
Transfers-in from other funds	8,400
Reimbursement for arbitrage	(1,000)
Net cash provided by noncapital financing activities	<u>53,736</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital lease	(4)
Acquisition of capital assets	(21)
Net cash used in capital and related financing activities	<u>(25)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and investment income	45,610
Loans disbursed to governmental units	(396,213)
Loans repaid by governmental units	172,977
Net cash used in investing activities	<u>(177,626)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(142,233)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>334,737</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 192,504</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (37,967)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	59
Principal forgiveness	62,341
Interest income on loans	(42,958)
Change in assets and liabilities:	
Increase in accounts payable and accrued liabilities	8
Increase in due to component units	53
Increase in intergovernmental payables	29
Increase in due to other funds	(69)
Increase in compensated absences	186
Net cash used in operating activities	<u>\$ (18,318)</u>

See accompanying notes to the basic financial statements.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012  
(amounts in \$000's)**

**1. Description of Funds**

The State of Illinois, Environmental Protection Agency (Agency) administers the nonshared proprietary fund - Water Revolving Fund. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Water Revolving Fund held by the State Treasurer consists of the Water Pollution Control Loan Program ("Clean Water Program") established under authority granted in the Water Quality Act of 1987, which amended the Clean Water Act of 1972 and the Public Water Supply Loan Program ("Drinking Water Program") established under authority granted in the Federal Safe Drinking Water Act Amendments of 1996.

The Clean Water Program is administered by the Agency pursuant to the Illinois Environmental Protection Act, as supplemented and amended. The Clean Water Program was established as a revolving fund to accept federal capitalization grants, the required 20% State match and any proceeds of revenue bonds for the purpose of making low interest loans to units of local government to finance the construction of wastewater treatment works.

The Drinking Water Program is administered by the Agency pursuant to the Illinois Environmental Protection Act to accept federal capitalization grants, the required 20% State match and any proceeds of revenue bonds for the purpose of making low interest loans to units of local government and certain private community water supplies to finance the construction of public water facilities.

**2. Summary of Significant Accounting Policies**

The financial statements of the individual nonshared proprietary fund administered by the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012  
(amounts in \$000's)**

**2. Summary of Significant Accounting Policies (Continued)**

Reporting Entity: As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Based upon the required criteria, the individual nonshared proprietary fund does not have component units, nor is it a component unit of any other entity. However, because the individual nonshared proprietary fund is not legally separate from the State of Illinois (State), it is included in the financial statements of the State as a proprietary fund. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

The financial statements present only the Water Revolving Fund (270) administered by the State of Illinois, Environmental Protection Agency and do not purport to, and do not, present fairly the financial position of the Illinois Environmental Protection Agency as of June 30, 2012, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation: In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A statement of net assets, statement of revenues, expenses, and changes in net assets and statement of cash flows have been presented for the individual nonshared proprietary fund administered by the Agency.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012  
(amounts in \$000's)**

**2. Summary of Significant Accounting Policies (Continued)**

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Basis of Accounting: The individual nonshared proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and entitlements. Revenue from grants, entitlements, and similar items is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the individual nonshared proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance as for the individual nonshared proprietary fund administered by the Agency.

Cash and Cash Equivalents: Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash in banks for locally-held funds.

Interfund Transactions: The individual nonshared proprietary fund has the following types of interfund transactions with other funds of the State:

**Loans** - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND

NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012  
(amounts in \$000's)

2. Summary of Significant Accounting Policies (Continued)

*Services Provided and Used* - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund statement of net assets.

*Reimbursements* - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

*Transfers* - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

Restricted Assets - Loans Receivable: Under the bond agreements, the repayments of certain loans to municipalities and water districts are pledged against the bond payments. The repayments of those loans are collected in a separate trust account and are used to make bond payments.

Capital Assets: Capital assets, which include equipment, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

The capitalization threshold and the estimated useful lives are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Equipment	\$ 5	3-25

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2. Summary of Significant Accounting Policies (Continued)

Compensated Absences: The liability for compensated absences reported in the individual nonshared proprietary fund consists of unpaid, accumulated vacation and sick leave balances for Agency employees. The liability has been calculated using the vesting method, in which leave amounts for employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary-related costs (e.g. social security and Medicare tax).

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue 12 sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997, (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997, will be converted to service time for purposes of calculating employee pension benefits.

Net Assets: Equity is displayed in three components as follows:

***Invested in Capital Assets, Net of Related Debt*** - this consists of capital assets, net of accumulated depreciation and related debt.

***Restricted*** - this consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, and then unrestricted resources when they are needed.

***Unrestricted*** - this consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**3. Cash and Cash Equivalents**

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. The Agency independently manages cash and cash equivalents maintained outside the State Treasury.

Deposits in the custody of the State Treasurer (or in transit) at June 30, 2012, were \$167,819. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11).

Funds held by the State Treasurer have not been categorized as to credit risk because the Agency does not own individual securities. Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report.

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits might not be recovered. The Agency does not have a deposit policy for custodial credit risk. As of June 30, 2012, none of the bank balances of \$24,686 held outside the State Treasury was exposed to custodial credit risk.

**4. Securities Lending Transaction**

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2012, Deutsche Bank Group lent U.S. Treasury and U.S. agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available or the eligible securities. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the State Treasurer in Deutsche Bank Group's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank Group.

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**4. Securities Lending Transaction (Continued)**

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, paragraph 9, the State Treasurer has allocated the assets and obligations at June 30, 2012, arising from securities lending agreements to the various funds of the State. The securities lending collateral invested in repurchase agreements allocated to the Water Revolving Fund was \$80,163 as of June 30, 2012.

**5. Loans and Notes Receivable**

Loans and notes receivable consist of loans made to local governments for infrastructure programs.

Each loan to a participant for an eligible project from funds in the Clean Water Program or the Drinking Water Program is evidenced by a Loan Agreement. In each Loan Agreement, the Agency agrees to make a loan in an amount up to the maximum amount provided in the Loan Agreement. Funds are disbursed to a participant only to pay eligible project costs that actually have been incurred by the participant, and the amount of a loan is generally equal to the aggregate of such disbursed amounts, although in certain instances such amount may also include capitalized interest. The actual amounts loaned to participants will generally depend upon the actual progress of construction on the related projects.



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**5. Loans and Notes Receivable (Continued)**

Each Loan Agreement specifies a date as of which the Project is required to initiate operation ("Operation Initiation Date"). Amortization of each Loan is required to begin no later than one year from the earlier of the Operation Initiation Date or the date identified in the Loan Agreement as the initiation of loan repayment date ("Initiation of Loan Repayment Date"). The final maturity of each loan is not later than 20 years from the earlier of the Operation Initiation Date or the Initiation of Loan Repayment Date. Each Loan Agreement permits prepayment of all or a portion of the balance of the loan, without premium. Most of the Loan Agreements provide for semi-annual principal and interest payments, with the actual dates of repayment varying from Loan Agreement to Loan Agreement, with a few Loan Agreements providing for quarterly or annual principal and interest payments.

**Fixed Loan Rate:** The Agency assigns to each loan a fixed loan rate at the time a loan is made to the participant. For loans financed prior to the inception of the American Recovery and Reinvestment Act (ARRA), the fixed loan rate is comprised of an interest portion and a loan support portion and is computed by using the mean interest rate of the 20-year Tax-Exempt Bonds General Obligation Bond Buyer Index, as published weekly by The Bond Buyer, from July 1 to June 30 of the preceding fiscal year rounded to the nearest 100th of a percent and multiplied by 50%. There is no maximum, but the minimum fixed loan rate is 2.5% per annum. Those loans financed with ARRA funds bear an interest rate of 0.0%. The interest rates on the loans currently outstanding are between 0.0% to 3.75%.

**Security for Loans:** Generally, the repayment obligations of each participant will either be (i) secured by the revenues generated by its wastewater or drinking water system or (ii) a general obligation of the participant. The Agency conducts an analysis as part of its loan review process to determine the appropriate security for a loan and upon making such determination, the participant evidences its obligation under the loan agreement and grants the security determined by the Agency by adopting a bond ordinance or resolution or similar authorization in accordance with State law. In certain instances, a participant may issue revenue bonds, general obligation bonds or other obligations, as applicable, to evidence its repayment obligations.

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**5. Loans and Notes Receivable (Continued)**

Estimated minimum repayments of the loans receivable and interest thereon, are as follows:

Year ending June 30

2013	\$ 187,636
2014	181,212
2015	175,708
2016	170,570
2017	167,105
2018-2022	723,628
2023-2027	485,346
2028-2032	<u>183,865</u>
	<u>\$ 2,275,070</u>

In addition, outstanding loans of \$885,042 have not been scheduled for repayment.

Restricted Loans Receivable

At June 30, 2012, \$199,559 of loans receivable were pledged as security for the revenue bonds outstanding (see Note 8). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. During the year ended June 30, 2012, the Fund received \$43,346 and \$2,795 of principal and interest, respectively, on these loans. Any excess of the principal and interest received over the debt service payments required and the required debt service reserve accounts is released from restriction at the time of a bond payment.

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**5. Loans and Notes Receivable (Continued)**

Loan Commitments and Concentrations

Per the Department of Central Management Services Procedures and Requirements for Determining Loan Priorities (35 Illinois Administrative Code, Section 366.105: Funding Allocations), loan funds available from State and Federal appropriations during the capitalization period authorized by the Clean Water Act to capitalize the Clean Water portion of the fund will be subject to an equal division between the service area of the Metropolitan Water Reclamation District of Greater Chicago (MWRDGC) and the area which is comprised of the geographical balance of the State of Illinois, to the extent that projects in either area in any fiscal year have qualified to receive loan assistance and are ready to proceed in accordance with the criteria for loan award. The service area of MWRDGC also includes several municipalities that may receive loans directly from the fund. Any imbalance in the division of the total loan funds shall be carried forward from year to year and shall be applied as projects are able to complete a loan application to achieve an accumulatively equal distribution. Currently, 39.5% of loan funds made under the Clean Water Program have been made to MWRDGC and municipalities in its service area.

As of June 30, 2012, the outstanding balance of loans to MWRDGC amounted to \$649,933 which exceeds 5% of total loans receivable of the fund. This represents approximately 28% of total loans receivable.

Principal Forgiveness

As of June 30, 2012, the Federal loan commitments included ARRA federal funds of \$256,781, of which \$129,077 will be forgiven. ARRA principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet ARRA requirements.

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**5. Loans and Notes Receivable (Continued)**

Federal grants awarded post-ARRA required additional loan principal forgiveness with the minimum and maximum requirements depending on the program. The total minimum principal forgiveness amount is \$56,352 and the total maximum amount is \$168,904. The 2012 Federal grants for both the Clean Water and Drinking Water programs had not been received as of June 30, 2012. However, the principal forgiveness issued for loans in this program year is conditional based upon the Agency receiving the grant awards. The Clean Water Program exceeded the maximum principal forgiveness allowed after the 2011 grant. As a result, the amount exceeded of \$11,903 will be paid from the Clean Water Loan Support Program. The Drinking Water minimum has been met and no issues have resulted from the maximum amount for the Drinking Water Program. Following is a summary of Post-ARRA loan principal forgiveness:

	<b>Clean Water Program</b>		
	<u>Minimum</u>	<u>Maximum</u>	<u>Actual</u>
2010 Grant	\$ 13,801	\$ 46,003	\$ 46,002
2011 Grant	6,189	20,629	20,625
2012 Grant (to be issued)	3,552	5,329	1,104
Principal forgiveness to be charged to Loan Support Program	-	-	11,903
Total Principal Forgiveness Post ARRA	<u>\$ 23,542</u>	<u>\$ 71,961</u>	<u>\$ 79,634</u>

	<b>Drinking Water Program</b>		
	<u>Minimum</u>	<u>Maximum</u>	<u>Actual</u>
2010 Grant	\$ 15,369	\$ 51,230	\$ 15,605
2011 Grant	10,665	35,549	11,202
2012 Grant (to be issued)	6,776	10,164	3,193
Total Principal Forgiveness Post ARRA	<u>\$ 32,810</u>	<u>\$ 96,943</u>	<u>\$ 30,000</u>

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**5. Loans and Notes Receivable (Continued)**

	<b>Total</b>		
	<u>Minimum</u>	<u>Maximum</u>	<u>Actual</u>
2010 Grant	\$ 29,170	\$ 97,233	\$ 61,607
2011 Grant	16,854	56,178	31,827
2012 Grant (to be issued)	10,328	15,493	4,297
Principal forgiveness to be charged to Loan Support Program	-	-	11,903
Total Principal Forgiveness Post ARRA	<u>\$ 56,352</u>	<u>\$ 168,904</u>	<u>\$ 109,634</u>

**6. Interfund Balances and Transfers**

Balances Due to Other Funds: The following balances at June 30, 2012, represent amounts due to other Agency and State of Illinois funds:

Due to Central Management Services for:	
Facilities management revolving payments	\$ 7
Communications revolving payments	8
Group insurance premium payments	<u>4</u>
	19
Due to Office of the Auditor General	<u>78</u>
Total Due to Other Funds	<u>\$ 97</u>

Transfers from Other Funds: During the year ended June 30, 2012, \$2,532 was transferred from the Anti-Pollution Fund to meet State Match requirements for Federal Capitalization Grants (see Note 9).

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**7. Capital Assets**

Capital asset activities for the year ended June 30, 2012, were as follows:

	Balance July 1, 2011	Additions	Deletions/ Transfers	Balance June 30, 2012
Capital assets being depreciated:				
Equipment	\$ 398	\$ 21	\$ 5	\$ 414
Capital lease – equipment	10	-	10	-
	408	21	15	414
Less: accumulated depreciation	309	59	10	358
Total capital assets being depreciated	<u>\$ 99</u>	<u>\$ (38)</u>	<u>\$ 5</u>	<u>\$ 56</u>

**8. Long-Term Obligations**

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2012, were as follows:

	Balance July 1, 2011	Additions	Deletions/ Transfers	Balance June 30, 2012	Amounts Due Within One Year
Due to Illinois Finance Authority	\$ 64,460	\$ 3,349	\$ 18,672	\$ 49,137	\$ -
Compensated absences	1,404	767	581	1,590	101
Capital leases	4	-	4	-	-
	<u>\$ 65,868</u>	<u>\$ 4,116</u>	<u>\$ 19,257</u>	<u>\$ 50,727</u>	<u>\$ 101</u>

Due to Illinois Finance Authority: The Illinois Finance Authority (IFA), a nonmajor component unit of the State of Illinois, issued \$280,000 State of Illinois Revolving Fund Revenue Bonds (Bonds), Series 2002 and 2004. The proceeds (including bond premiums of \$16,400) were deposited in the Water Revolving Fund for the purpose of making loans pursuant to the Clean Water Program and the Drinking Water Program. Prior to the issuance of these revenue bonds, the Agency sold and assigned certain loans outstanding related to the Clean Water Program and the Drinking Water Program to the IFA and pledged the loans to secure payment of the bonds. Of the total outstanding loans at June 30, 2012, \$199,559 has been pledged for repayment of the Bonds. The bond trustee is entitled to receive all principal and interest due on these pledged loans. Any loans funded with the proceeds from the bonds are not pledged to the bond trustee and are not deemed to be pledged loans.

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**8. Long-Term Obligations (Continued)**

The Bonds are to be repaid from a) payments made pursuant to the pledged loans, b) the income derived from the investment of moneys held in funds and accounts established under the bond indentures and c) moneys held in the debt service fund, the reserve fund and other funds and accounts held by the trustee under the bond indentures and available for payment. The reserve accounts are in the name of the IFA. The reserve accounts are required to contain an amount equal to one-half the amount of the outstanding balance of the bonds. As a result, the Water Revolving Fund has recorded an obligation to repay the remaining one-half of the outstanding balance of the bonds, adjusted for excess amounts held by IFA, and for bond premium. Total principal remaining on the bonds as of June 30, 2012, is \$126,325 payable through 2024. The balance of the unamortized premium on the bonds at June 30, 2012, is \$3,145. The Agency has also committed to paying approximately one-half the interest on the bonds, with interest rates ranging from 3.25% to 5.50%.

The amounts required to repay the obligation due to IFA are as follows:

<u>Year Ending June 30</u>	<u>Obligation</u>	<u>Interest</u>
2013	\$ -	\$ 3,204
2014	557	2,730
2015	7,800	2,296
2016	7,588	1,882
2017	7,487	1,477
2018-2022	21,705	2,509
2023-2024	855	31
	<u>\$ 45,992</u>	<u>\$ 14,129</u>

**9. Net Assets**

Net assets at June 30, 2012, are restricted for:

United States Environmental Protection Agency (U.S. EPA) Capitalization Grants	\$ 1,540,789
U.S. EPA ARRA Capitalization Grants	<u>127,704</u>
	1,668,493
State match	<u>331,851</u>
Subtotal net assets restricted for other purposes	2,000,344
Debt service	<u>200,880</u>
Total restricted net assets	<u>\$ 2,201,224</u>

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**9. Net Assets (Continued)**

U.S. EPA Capitalization Grants and State Match: The Water Revolving Fund was created pursuant to the Clean Water Act and Safe Drinking Water Act and established to provide financial assistance in the form of loans. In order to qualify for Federal Capitalization Grants, the state must pay into the Revolving Fund a matching amount equal to at least 20% of the amount of such grants (State Match). These funds are restricted for the purpose of making low interest loans from the Fund.

Debt Service: The amount restricted for debt service consists of loans receivable pledged and related interest receivable pursuant to the sale of revenue bonds in 2002 and 2004 (see Note 8).

**10. Capitalization Grants**

The Agency has entered into Capitalization Grant Agreements with the U.S. EPA to administer the Waste Water and Drinking Water Loan Programs, jointly the Water Revolving Fund (270). Pursuant to these Capitalization Grant Agreements, \$1,570,250 for Waste Water and \$564,870 for Drinking Water have been made available to be drawn (pursuant to state matching requirements being met) on the Capital Grant facility at June 30, 2012, with respect to costs in connection with loans made under the Waste Water and Drinking Water Loan Programs.

The remaining Capital Grant Facility as of June 30, 2012, is summarized below:

	Waste Water	Drinking Water	Total
Total Capital Grants	\$ 1,570,250	\$ 564,870	\$ 2,135,120
Less: Cumulative drawdowns	(1,411,498)	(488,331)	(1,899,829)
Capital Grant Facility	\$ 158,752	\$ 76,539	\$ 235,291

Included in the above table are the following amounts awarded under the ARRA:

	Waste Water	Drinking Water	Total
Total ARRA grants	\$ 177,243	\$ 79,538	\$ 256,781
Less: Cumulative drawdowns	(177,243)	(79,538)	(256,781)
Remaining ARRA amounts to be drawn	\$ -	\$ -	\$ -



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**(amounts in \$000's)**

**11. General and Administrative Costs**

The Agency is authorized to utilize up to 4% of the total Clean Water Capitalization Grants received for administration of the loan program. In order to allow the maximum amount of grant dollars for loan disbursements, the Agency currently funds administrative costs for the Clean Water Program from sources other than the grant. The Drinking Water Grant Program sets aside and restricts 4% of each grant for the administrative costs of running the program. As of June 30, 2012, the Agency had \$3,519 to fund future administration costs of the Drinking Water Program.

The Agency also charges a loan support fee. This loan support fee is used to defray program expenses and for state match on federal grants. Loan support fees are collected, deposited and held in the Water Revolving Fund. This fee cannot exceed 50% of the fixed loan rate.

The Agency is also authorized to use a portion of each capitalization for specific set-asides authorized under Federal Statutes.

The Administrative Revenues and Expenses reported in the Water Revolving Fund for the year ended June 30, 2012, are as follows:

Revenues	
Administrative grants	\$ 1,544
Loan Support	<u>20,638</u>
	<u>22,182</u>
Expenses	
Payroll and insurance	14,124
Other general expenses	<u>4,401</u>
	<u>18,525</u>
Excess of revenues over expenses	<u>\$ 3,657</u>

**STATE OF ILLINOIS  
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**12. Pension Plan**

Substantially all of the Agency's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2012 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Agency pays employer retirement contributions in the individual nonshared proprietary funds based upon an actuarially determined percentage of their payrolls. For fiscal year 2012, the employer contribution rate was 34.190%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Agency) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Agency) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pick-up, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

**STATE OF ILLINOIS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2012**

**(amounts in \$000's)**

**13. Post-employment Benefits**

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services (DHFS) along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes five thousand dollars.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents. A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the DHFS. A copy of the financial statements of the DHFS may be obtained by writing to the DHFS, 201 South Grand Avenue, Springfield, Illinois, 62763-3838.

**14. Contingencies**

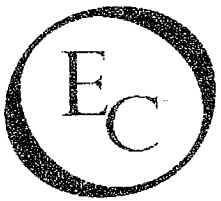
The Agency is involved in a number of legal proceedings and claims covering a wide range of matters. The ultimate results of these lawsuits and other proceedings against the Agency cannot be predicted with certainty; however, the Agency does not expect such matters to have a material effect on the financial position of the Agency.

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**15. Subsequent Event**

On October 18, 2012, the State of Illinois announced the Clean Water Initiative. This Initiative will use the assets of both the Clean Water and Drinking Water Loan Programs in future leveraged bond sales to increase the size of these programs over the next several fiscal years.



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the State of Illinois, Environmental Protection Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Illinois, Environmental Protection Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Environmental Protection Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Environmental Protection Agency's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings as item 12-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Environmental Protection Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State of Illinois, Environmental Protection Agency's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the State of Illinois, Environmental Protection Agency's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

*E.C. Artiz & Co., LLP*

Chicago, Illinois  
February 27, 2013

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS***

**12-1 FINDING (Inadequate Controls Over Financial Reporting)**

The Illinois Environmental Protection Agency (Agency) did not exercise adequate internal control over financial reporting.

During our testing, we noted the following:

- The Agency did not develop a basis or prepare any calculation for the estimated arbitrage rebate of \$1,000,000 within the rebate fund of the State of Illinois Revolving Fund, Series 2004. During 2009, the Agency paid \$323,000 rebate on Bond Series 2004. In anticipation for a substantially higher rebate to be paid in May, 2014, the Agency transferred \$500,000 on both bond payment dates, September, 2011 and March, 2012.

Agency management is responsible under generally accepted accounting principles for establishing a process for preparing reasonable accounting estimates based upon an accumulation of relevant, sufficient and reliable data.

Management stated that the Agency recorded the accrual based upon a conversation between the Agency, bond counsel and bond trustee concerning the potential for a higher arbitrage tax liability.

- The Agency did not accrue interest income totaling \$388,909 from March 2012 through June 2012 on investments of the debt service fund under the Debt Service Forward Delivery Agreement for the State of Illinois Revolving Fund, Series 2004 issuance. This resulted in an overstatement of Due to Component Units by the same amount. This was not adjusted by the Agency since the amount was determined to be immaterial in relation to the financial statements.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

Agency management stated that interest income was not accrued due to oversight.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION AGENCY  
FUND 270 – WATER REVOLVING FUND  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS (Continued)***

Failure to document the calculation of estimated arbitrage liability based upon an accumulation of relevant, sufficient and reliable data and properly record interest accruals reduces the reliability of Statewide financial reporting and increases the risk of material misstatement within the Agency's financial statements.

**Recommendation**

We recommend the Agency document the calculation of estimated arbitrage liability based upon an accumulation of relevant, sufficient and reliable data and properly record interest accruals.

**Agency Response**

Accepted. Although the Agency believed its past transfers were a reasonable estimation of the future arbitrage tax liability, the Agency has established a formal process to document the relevant, sufficient and reliable data used for this accounting estimate. The Agency has also developed procedures to ensure interest income earned between March and June on investments of debt service funds is recorded in the financial statements.



## APPENDIX C

### PLEDGED AGREEMENTS FOR THE SERIES 2013 BONDS\*

Loan	Program	Outstanding Balance	Interest Rate	Final Maturity	Pledge
Adams County Water District	CW	\$1,268,199	2.500%	9/3/2028	Revenues
Akin Water District	DW	471,947	2.500%	8/11/2027	Revenues
Albers	DW	101,941	2.500%	8/28/2026	Revenues
Aledo	DW	2,233,051	2.905%	12/15/2021	Revenues
Alhambra	CW	106,350	2.535%	1/17/2021	Revenues
Alsip	DW	2,695,485	1.250%	8/11/2032	Revenues
Alton	CW	575,744	2.625%	4/11/2020	Revenues
Alton	CW	1,381,096	2.675%	8/10/2023	Revenues
Alton	CW	1,936,933	2.500%	6/8/2027	Revenues
Altona	CW	78,629	2.570%	5/1/2024	Revenues
Altona	DW	286,749	1.250%	7/10/2031	Revenues
Amboy	CW	185,036	2.865%	11/30/2018	Revenues
Anna	CW	356,060	2.295%	5/1/2033	Revenues
Anna	DW	1,060,742	1.250%	8/11/2032	Revenues
Antioch	CW	14,157,446	2.500%	1/22/2030	Revenues
Arcola	DW	1,131,970	1.250%	4/6/2032	Revenues
Argenta	DW	382,823	2.500%	9/16/2025	Revenues
Ashkum	DW	167,212	1.250%	3/20/2032	Revenues
Ashton	CW	99,349	2.815%	11/30/2015	General Obligation
Ashton	DW	205,440	2.295%	3/1/2033	Revenues
Athens	CW	4,563,627	2.295%	12/29/2032	Revenues
Auburn	CW	415,713	2.865%	9/30/2018	Revenues
Auburn	CW	690,495	2.535%	5/15/2020	Revenues
Auburn	CW	684,506	2.625%	5/30/2020	Revenues
Aurora	CW	1,287,972	2.535%	6/6/2021	Revenues
Aurora	DW	5,554,145	2.905%	9/30/2022	Revenues
Aviston	CW	327,434	2.625%	12/1/2019	Revenues
Barrington	CW	527,250	2.570%	12/15/2023	Revenues
Barrington	DW	968,804	2.905%	12/15/2021	Revenues
Barry	DW	88,449	2.905%	12/18/2021	Revenues
Bartlett	CW	235,755	2.295%	6/3/2033	Revenues
Batavia	DW	2,088,829	2.500%	11/1/2024	Revenues
Batavia	DW	324,825	2.500%	11/1/2024	Revenues
Batavia	DW	2,178,494	2.500%	9/26/2026	Revenues
Batavia	DW	1,128,898	2.500%	9/26/2026	Revenues
Beardstown S.D.	CW	2,365,549	1.250%	5/9/2032	Revenues
Beecher	CW	740,344	3.150%	12/1/2016	Revenues
Belleville	CW	104,958	2.815%	10/11/2015	Revenues
Belleville	CW	306,669	2.890%	4/10/2017	Revenues
Belleville	CW	102,142	2.890%	5/11/2017	Revenues
Belleville	CW	48,434	2.625%	11/27/2018	Revenues
Belleville	CW	125,817	2.625%	4/23/2019	Revenues
Belleville	CW	16,917,618	1.250%	1/31/2032	Revenues

\* Outstanding balance information as of June 30, 2013.

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Belleville	CW	20,101,207	1.250%	3/19/2033	Revenues
Belleville	CW	770,755	2.295%	6/17/2033	Revenues
Belleville	CW	163,798	2.295%	3/1/2034	Revenues
Bellwood	DW	839,756	2.500%	2/28/2025	Revenues
Bellwood	DW	1,546,837	2.295%	7/23/2032	Revenues
Belvidere	CW	2,087,146	1.250%	5/3/2032	Revenues
Bethalto	CW	869,292	1.250%	5/16/2031	Revenues
Bethalto	DW	2,980,495	2.295%	10/27/2033	Revenues
Big Rock	CW	2,204,079	1.250%	12/5/2030	Revenues
Bismarck Community Water Dist.	DW	702,407	1.250%	6/15/2032	Revenues
Bloomington	CW	10,218,284	2.500%	10/30/2028	Revenues
Bloomington	CW	4,579,563	1.250%	4/30/2032	Revenues
Bloomington and Normal Water	CW	609,072	2.815%	3/1/2016	Revenues
Bloomington and Normal Water	CW	23,365,643	2.905%	6/1/2024	Revenues
Bloomington and Normal Water	CW	3,873,525	2.500%	8/15/2026	Revenues
Bloomington and Normal Water	CW	12,655,009	2.500%	9/27/2027	Revenues
Bloomington and Normal Water	CW	5,110,118	2.500%	4/7/2028	Revenues
Blue Island	DW	1,193,548	1.250%	3/1/2032	Revenues
Bond Madison Water Company	DW	364,181	1.250%	12/14/2031	Revenues
Bradford	DW	439,043	2.570%	4/15/2024	Revenues
Braidwood	CW	10,088,444	1.250%	10/15/2032	Revenues
Breese	DW	5,405,128	2.500%	11/1/2026	Revenues
Brighton	CW	917,908	2.295%	7/13/2032	Revenues
Broadview-Westchester Joint	DW	900,467	2.295%	12/20/2033	Revenues
Broughton	CW	8,351	2.535%	11/1/2020	General Obligation
Buckley	DW	285,274	2.500%	9/27/2026	Revenues
Buda	CW	162,578	2.625%	6/23/2019	Revenues
Bushnell	DW	718,604	2.500%	11/15/2024	Revenues
Cahokia	CW	1,874,239	2.535%	1/31/2021	Revenues
Calumet City	CW	528,330	1.250%	4/15/2032	Revenues
Cambria	CW	373,357	2.500%	2/1/2028	Revenues
Camden-Littleton Water	DW	76,218	2.535%	4/30/2020	Revenues
Canton	DW	1,724,945	2.905%	8/28/2022	Revenues
Carbondale	CW	84,741	2.865%	5/1/2018	Revenues
Carbondale	CW	531,127	2.500%	1/31/2025	Revenues
Carlinville	DW	371,983	2.500%	8/7/2024	Revenues
Carlock	DW	237,060	2.905%	2/8/2023	Revenues
Carlyle	CW	485,834	2.500%	7/1/2026	Revenues
Carlyle	DW	1,039,120	2.500%	7/1/2026	Revenues
Carol Stream	CW	4,032,347	2.570%	4/15/2024	Revenues
Carpentersville	CW	10,491,865	2.535%	7/16/2023	Revenues
Carrollton	CW	2,162,164	1.250%	11/15/2032	Revenues
Carthage	DW	314,976	2.675%	7/24/2022	Revenues
Cary	CW	4,436,374	2.570%	4/30/2024	Revenues
Caseyville	DW	123,581	2.535%	3/6/2020	Revenues
Caseyville	DW	292,401	2.570%	10/16/2025	Revenues
Caseyville	DW	1,893,527	2.500%	11/30/2026	Revenues
Caseyville Township	CW	331,043	2.905%	5/30/2021	Revenues
Caseyville Township	CW	17,679,563	2.500%	12/2/2028	Revenues
Caseyville Township	CW	5,073,039	1.250%	11/1/2032	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Caterpillar Trail	DW	7,551,421	2.500%	12/24/2027	Revenues
Caterpillar Trail	DW	295,089	1.250%	5/19/2032	Revenues
Catlin	CW	226,041	2.535%	9/8/2021	Revenues
Cedarville	DW	146,181	2.500%	3/13/2028	Revenues
Central Lake County	DW	1,455,459	2.570%	1/21/2024	Revenues
Centralia	CW	74,186	2.865%	5/1/2018	Revenues
Centralia	DW	1,314,262	2.500%	10/15/2025	Revenues
Champaign	CW	50,471	3.015%	3/1/2015	Revenues
Champaign	CW	162,508	2.815%	8/16/2016	Revenues
Champaign	CW	479,167	1.250%	6/23/2031	Revenues
Champaign	CW	508,863	1.250%	8/28/2031	Revenues
Champaign	CW	612,921	1.250%	6/29/2032	Revenues
Chandlerville	DW	187,758	2.500%	6/6/2028	Revenues
Chandlerville	DW	1,061,709	1.250%	8/11/2032	Revenues
Channahon	DW	130,942	2.535%	11/10/2020	Revenues
Chapin	DW	682,590	2.295%	9/1/2033	Revenues
Charleston	CW	141,849	2.815%	12/1/2015	Revenues
Chebanse	CW	4,722,275	2.500%	11/7/2027	Revenues
Chicago	CW	1,207,577	2.500%	8/28/2027	Revenues
Chicago	CW	9,864,619	1.250%	12/30/2032	Revenues
Chicago	CW	20,187,123	1.250%	12/30/2032	Revenues
Chicago	DW	2,003,545	2.905%	11/1/2022	Revenues
Chicago	DW	1,862,818	2.570%	11/1/2025	Revenues
Chicago	DW	5,600,022	1.250%	12/21/2031	Revenues
Chicago	DW	2,010,994	1.250%	8/1/2032	Revenues
Chicago	DW	2,008,723	1.250%	8/1/2032	Revenues
Chicago	DW	8,013,461	1.250%	2/3/2033	Revenues
Chicago Heights	CW	772,359	3.150%	5/1/2017	Revenues
Chillicothe S.D.	CW	36,152	3.015%	11/30/2014	General Obligation
City of Bloomington	CW	4,125,063	1.250%	6/17/2033	Revenues
City of Bloomington	DW	2,180,935	2.570%	1/1/2024	Revenues
City of Bloomington	DW	2,580,689	2.500%	6/5/2025	Revenues
City of Bloomington	DW	1,093,379	2.500%	12/7/2029	Revenues
City of Bloomington	DW	2,341,048	1.250%	6/17/2033	Revenues
Clark/Edgar	DW	7,226,628	2.500%	1/17/2029	Revenues
Clayton-Camp Point	DW	841,451	2.625%	3/28/2020	Revenues
Clayton-Camp Point	DW	899,827	2.905%	6/11/2022	Revenues
Clayton-Camp Point	DW	766,457	2.570%	7/18/2022	Revenues
Clayton-Camp Point	DW	2,419,749	1.250%	7/1/2032	Revenues
Clinton	CW	315,829	2.500%	2/15/2026	Revenues
Clinton	DW	3,287,173	2.675%	11/15/2023	Revenues
Clinton	DW	1,200,960	2.500%	9/3/2026	General Obligation
Clinton	DW	1,137,908	2.295%	4/30/2032	Revenues
Clinton S.D.	CW	841,391	2.625%	10/15/2019	Revenues
Coal City	CW	1,944,402	2.905%	6/11/2022	Revenues
Coal City	DW	392,916	2.905%	11/15/2021	Revenues
Coal City	DW	1,266,739	2.500%	6/8/2030	Revenues
Colchester	CW	316,449	1.250%	8/1/2031	Revenues
Colona	CW	215,300	1.250%	8/16/2031	Revenues
Colona	DW	265,585	2.570%	2/1/2023	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Crest Hill	CW	5,013,617	1.250%	10/15/2032	Revenues
Creve Coeur	DW	206,630	2.625%	7/29/2019	Revenues
Croppers Subdivision	DW	250,389	2.500%	8/15/2026	Revenues
Crystal Lake	CW	8,270,184	2.535%	6/18/2022	Revenues
Cuba	CW	183,787	1.250%	5/16/2032	Revenues
Cutler	DW	33,442	2.535%	11/1/2020	Revenues
Cutler	DW	9,918	2.905%	1/7/2021	Revenues
Cutler	DW	76,203	2.500%	6/15/2027	Revenues
Dakota	CW	184,580	2.570%	5/2/2024	Revenues
Dallas Rural Water District	DW	476,484	2.625%	11/1/2018	Revenues
Davis Junction	CW	10,045,757	2.500%	7/31/2029	Revenues
Dawson	DW	426,677	1.250%	10/15/2032	Revenues
Decatur	DW	3,719,235	2.905%	6/1/2022	Revenues
Decatur S.D.	CW	571,845	2.890%	5/4/2017	Revenues
Decatur S.D.	CW	1,546,412	2.865%	2/14/2019	Revenues
Decatur S.D.	CW	712,784	2.625%	2/16/2020	Revenues
Decatur S.D.	CW	840,485	2.535%	6/24/2020	Revenues
Decatur S.D.	CW	276,093	2.905%	9/26/2021	Revenues
Decatur S.D.	CW	320,273	2.500%	1/9/2024	Revenues
Decatur S.D.	CW	1,246,457	2.570%	1/31/2024	Revenues
Decatur S.D.	CW	1,832,039	2.500%	7/25/2024	Revenues
Decatur S.D.	CW	1,068,641	2.500%	12/20/2025	Revenues
Decatur S.D.	CW	492,409	2.500%	12/8/2026	Revenues
Decatur S.D.	CW	1,487,385	1.250%	12/19/2031	Revenues
Decatur S.D.	CW	4,046,561	1.250%	5/10/2032	Revenues
Decatur S.D.	CW	2,745,724	1.250%	7/28/2032	Revenues
DeKalb	DW	1,919,865	2.535%	1/8/2021	Revenues
DeKalb	DW	1,575,420	2.535%	5/30/2021	Revenues
DeKalb	DW	277,369	2.295%	3/6/2033	Revenues
DeKalb S.D.	CW	2,943,285	1.250%	1/19/2032	Revenues
DeKalb S.D.	CW	1,612,574	1.250%	2/2/2032	Revenues
DePue	CW	268,294	1.250%	6/12/2032	Revenues
Diamond	CW	5,624,884	2.500%	1/11/2029	Revenues
Divernon	CW	160,471	2.500%	12/10/2025	Revenues
Divernon	DW	326,200	1.250%	6/1/2032	Revenues
Dix-Kell Water & Sewer Comm.	DW	281,745	2.295%	11/15/2033	Revenues
Dixon	CW	64,071	2.815%	5/1/2015	Revenues
Dixon	CW	66,341	3.015%	5/16/2015	General Obligation
Dixon	CW	9,082,801	2.535%	12/30/2021	Revenues
Dixon	DW	2,266,132	2.500%	10/15/2026	Revenues
Dixon	DW	4,415,011	2.500%	9/17/2028	Revenues
Dixon	DW	3,023,496	1.250%	9/9/2031	Revenues
Downs	DW	245,009	2.570%	2/1/2023	Revenues
DuPage County Department	CW	1,169,534	3.360%	6/1/2015	General Obligation
DuPage County Department	DW	3,937,632	1.250%	1/28/2033	Revenues
Dupo	CW	138,185	2.815%	11/23/2015	General Obligation
DuQuoin	CW	4,798,462	2.500%	8/6/2026	Revenues
DuQuoin	DW	482,653	2.295%	7/15/2033	Revenues
Durand	CW	53,007	2.865%	12/15/2017	Revenues
Durand	CW	400,461	2.570%	5/15/2024	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Dwight	CW	594,312	2.890%	7/17/2017	Revenues
Dwight	CW	744,684	2.535%	6/1/2021	Revenues
Dwight	CW	3,412,971	2.500%	9/27/2027	Revenues
Earlville	CW	347,854	2.675%	9/1/2021	Revenues
Earlville	CW	1,665,760	2.570%	10/10/2023	Revenues
East Dubuque	CW	81,534	2.890%	7/12/2017	Revenues
East Dundee	CW	1,852,042	2.890%	2/1/2018	Revenues
East Dundee	CW	5,346,418	2.500%	12/1/2026	Revenues
East Dundee	DW	3,242,754	1.250%	12/14/2031	Revenues
East Galesburg	CW	156,706	1.250%	4/30/2032	Revenues
East Moline	CW	8,303,165	1.250%	3/26/2032	Revenues
East Moline	DW	329,180	1.250%	10/27/2031	Revenues
East Peoria	CW	535,826	2.865%	4/23/2019	Revenues
East Peoria	CW	810,225	2.500%	2/28/2028	Revenues
East Peoria	DW	401,135	2.625%	4/10/2020	Revenues
East Peoria	DW	579,747	2.570%	6/19/2023	Revenues
East Peoria	DW	2,971,790	2.500%	11/6/2027	Revenues
Edwardsville	CW	4,110,417	2.535%	12/1/2020	Revenues
El Paso	DW	190,463	2.905%	6/25/2021	Revenues
Eldorado	CW	1,711,833	1.250%	6/25/2032	Revenues
Eldorado	DW	156,632	2.675%	11/3/2022	Revenues
Elizabeth	DW	269,833	2.570%	8/10/2023	Revenues
Elmhurst	CW	750,270	2.625%	3/14/2020	Revenues
Elmhurst	CW	262,067	2.535%	9/17/2020	Revenues
Elmhurst	CW	2,759,707	1.250%	12/19/2032	Revenues
Essex	CW	873,525	2.500%	11/17/2026	Revenues
Evanston	CW	1,218,008	3.360%	5/17/2015	Revenues
Evanston	CW	289,826	2.815%	12/30/2015	Revenues
Evanston	CW	873,841	2.815%	12/30/2015	Revenues
Evanston	CW	1,797,859	2.815%	9/30/2016	General Obligation
Evanston	CW	990,571	2.815%	12/30/2016	Revenues
Evanston	CW	1,434,910	2.890%	9/14/2017	General Obligation
Evanston	CW	1,176,190	2.890%	9/25/2017	Revenues
Evanston	CW	1,829,059	2.865%	7/31/2018	Revenues
Evanston	CW	2,029,101	2.890%	10/10/2018	General Obligation
Evanston	CW	841,959	2.865%	2/24/2019	Revenues
Evanston	CW	2,985,938	2.865%	6/15/2019	Revenues
Evanston	CW	784,087	2.625%	11/1/2019	Revenues
Evanston	CW	8,573,953	2.625%	3/30/2021	General Obligation
Evanston	CW	4,678,232	2.535%	11/15/2021	General Obligation
Evanston	CW	1,337,664	2.905%	12/7/2021	Revenues
Evanston	CW	3,006,916	2.675%	8/1/2023	Revenues
Evanston	CW	2,545,316	2.570%	8/15/2024	Revenues
Evanston	CW	3,281,363	2.570%	11/15/2024	General Obligation
Evanston	CW	5,996,502	2.570%	5/15/2025	General Obligation
Evanston	CW	5,033,170	2.500%	9/3/2026	Revenues
Evanston	CW	8,722,187	2.500%	10/1/2027	Revenues
Evanston	CW	5,450,989	2.500%	5/7/2028	Revenues
Evanston	CW	308,215	2.295%	12/15/2033	Revenues
Fairbury	CW	444,745	1.250%	1/27/2032	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Fairbury	DW	175,886	2.625%	5/30/2019	Revenues
Fairbury	DW	415,978	1.250%	1/27/2032	Revenues
Fairfield	CW	885,589	2.675%	2/15/2023	Revenues
Fairfield	DW	409,729	2.625%	4/7/2020	Revenues
Fairfield	DW	7,837,272	1.250%	11/14/2032	Revenues
Fairfield	DW	2,162,350	2.295%	6/28/2033	Revenues
Farmington S.D.	CW	455,742	1.250%	4/19/2032	Revenues
Fithian	CW	174,312	2.295%	6/11/2033	Revenues
Fithian	DW	214,131	1.250%	5/17/2032	Revenues
Flagg Creek W.R.D.	CW	7,170,653	2.500%	4/28/2031	Revenues
Flagg Creek W.R.D.	CW	3,036,750	1.250%	11/29/2031	Revenues
Flagg Creek W.R.D.	CW	3,461,413	2.295%	12/1/2032	Revenues
Flanagan	DW	33,044	1.930%	9/1/2033	Revenues
Flora	DW	248,297	2.625%	7/23/2020	Revenues
Flossmoor	CW	844,748	2.625%	2/23/2020	Revenues
Flossmoor	CW	600,186	2.905%	10/17/2021	Revenues
Flossmoor	CW	1,680,159	2.500%	4/25/2024	Revenues
Forest Park	DW	3,317,833	2.675%	2/1/2023	Revenues
Forsyth	DW	470,027	2.500%	5/13/2024	Revenues
Forsyth	DW	3,568,683	2.500%	2/15/2026	Revenues
Fosterburg Water District	DW	725,848	2.535%	5/30/2021	Revenues
Fox Metro Water	CW	4,523,308	2.535%	8/28/2021	Revenues
Fox Metro Water	CW	13,137,822	2.500%	12/1/2029	Revenues
Fox Metro Water	CW	18,492,589	2.500%	10/5/2030	Revenues
Fox Metro Water	CW	12,097,786	1.250%	4/7/2032	Revenues
Fox Metro Water	CW	1,842,701	1.250%	5/22/2032	Revenues
Fox River Water Reclamation	CW	1,335,134	2.500%	9/11/2024	Revenues
Fox River Water Reclamation	CW	1,376,189	2.500%	8/19/2026	Revenues
Franklin Park	CW	1,036,154	2.815%	9/15/2016	Revenues
Franklin Park	CW	928,715	3.150%	5/15/2017	Revenues
Franklin Park	CW	1,489,223	2.625%	12/1/2019	Revenues
Freeburg	CW	214,119	2.535%	10/21/2020	Revenues
Freeburg	CW	372,186	2.295%	5/1/2033	Revenues
Freeburg	DW	39,085	2.865%	3/1/2019	Revenues
Freeport	CW	5,027,334	1.250%	6/17/2033	Revenues
Freeport	DW	6,491,460	1.250%	8/18/2033	Revenues
Fulton	DW	2,779,663	2.295%	7/15/2033	Revenues
Fyre Lake Water Company, Inc.	DW	691,035	2.500%	12/6/2028	Revenues
Galatia	DW	55,607	2.675%	12/15/2022	Revenues
Galena	DW	1,789,648	2.500%	5/11/2026	Revenues
Galesburg S.D.	CW	1,977,446	1.250%	4/17/2032	Revenues
Geneseo	CW	695,257	2.500%	10/30/2025	Revenues
Geneva	CW	2,370,223	2.625%	8/1/2020	Revenues
Geneva	CW	3,160,155	2.570%	6/1/2023	Revenues
Geneva	DW	2,353,989	2.500%	12/9/2026	Revenues
Geneva	DW	7,674,217	2.500%	7/1/2027	Revenues
Geneva	DW	6,788,904	2.500%	12/3/2027	Revenues
Georgetown	DW	2,079,450	2.570%	6/15/2023	Revenues
Germantown	CW	133,893	2.535%	1/1/2021	Revenues
Germantown Hills	CW	491,300	2.890%	11/1/2017	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Germantown Hills	CW	1,084,509	2.500%	10/13/2026	Revenues
Gifford	DW	312,593	2.570%	4/30/2025	Revenues
Gillespie	DW	920,444	2.535%	1/25/2021	Revenues
Gillespie	DW	780,584	2.500%	6/27/2025	Revenues
Glen Carbon	CW	293,941	2.865%	8/27/2018	Revenues
Glen Carbon	DW	1,083,796	2.570%	11/3/2023	Revenues
Glen Ellyn	CW	949,880	2.500%	3/5/2023	Revenues
Glenbard Wastewater Authority	CW	733,925	2.570%	6/7/2015	Revenues
Glenbard Wastewater Authority	CW	6,156,135	2.500%	1/29/2025	Revenues
Glencoe	DW	2,993,462	1.250%	8/17/2032	Revenues
Glenwood	CW	2,740,360	1.250%	5/13/2032	Revenues
Godfrey	CW	425,391	2.905%	1/5/2022	Revenues
Golconda	DW	46,374	2.625%	9/1/2019	Revenues
Grafton	CW	135,662	2.815%	1/27/2016	Revenues
Grand Ridge	DW	603,265	1.250%	6/23/2031	Revenues
Granite City	CW	2,658,058	2.500%	1/27/2025	Revenues
Granite City	CW	1,584,112	2.500%	10/20/2030	Revenues
Granite City	CW	1,783,692	1.250%	9/11/2032	Revenues
Granite City	CW	5,743,575	1.250%	11/1/2032	Revenues
Granville	CW	261,225	1.250%	5/1/2032	Revenues
Granville	CW	828,137	1.250%	9/1/2032	Revenues
Granville	DW	349,249	2.570%	3/1/2024	Revenues
Greenville	DW	893,435	2.625%	2/15/2020	Revenues
Greenville	DW	471,787	2.295%	2/1/2033	Revenues
Hainesville	DW	254,239	2.295%	5/1/2032	Revenues
Hamilton	DW	2,314,519	2.500%	7/31/2026	Revenues
Hampshire	CW	2,358,246	2.675%	11/15/2023	Revenues
Hanna City	CW	512,303	1.250%	4/5/2032	Revenues
Hanover Park	CW	926,334	2.815%	4/9/2017	Revenues
Hanover Park	CW	622,052	2.625%	7/1/2019	Revenues
Harrisburg	CW	72,134	2.865%	7/13/2018	Revenues
Harrisburg	CW	1,493,877	2.570%	7/6/2024	Revenues
Hecker	DW	103,071	2.570%	9/9/2023	Revenues
Henderson	DW	92,490	2.500%	9/1/2024	Revenues
Herscher	CW	290,816	2.890%	10/7/2017	Revenues
Heyworth	DW	458,552	2.535%	6/24/2020	Revenues
Highland	CW	2,086,173	2.890%	3/1/2018	General Obligation
Highwood	DW	572,155	2.535%	12/30/2021	Revenues
Hillsboro	DW	954,605	2.570%	12/3/2023	Revenues
Hinsdale	CW	423,912	1.250%	10/3/2031	Revenues
Hinsdale	CW	3,295,666	1.250%	7/27/2032	Revenues
Holiday Shores S.D.	DW	742,335	2.500%	7/31/2026	Revenues
Homer	DW	448,911	2.500%	10/10/2026	Revenues
Huey	CW	194,510	2.500%	7/31/2027	Revenues
Hull	DW	33,182	2.865%	7/17/2018	Revenues
Illinois-American Water	DW	1,001,776	2.570%	4/15/2024	Revenues
Jacksonville	CW	332,721	2.905%	5/1/2021	Revenues
Jacksonville	DW	1,226,723	2.625%	11/1/2019	Revenues
Jacksonville	DW	133,073	2.535%	5/1/2020	Revenues
Jacksonville	DW	444,205	2.570%	5/1/2023	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Jacksonville	DW	493,136	2.570%	5/1/2023	Revenues
Jerseyville	DW	320,766	2.535%	7/1/2020	Revenues
Joliet	CW	1,467,715	1.250%	4/9/2032	Revenues
Joliet	CW	11,504,192	1.250%	10/24/2032	Revenues
Junction City	CW	178,932	2.675%	10/8/2022	Revenues
Kankakee River Metropolitan	CW	5,002,729	2.500%	8/22/2026	Revenues
Kankakee River Metropolitan	CW	13,264,404	1.250%	11/1/2032	Revenues
Kankakee River Metropolitan	CW	2,964,693	2.295%	3/15/2034	Revenues
Kankakee River Metropolitan	CW	2,159,860	1.930%	3/30/2034	Revenues
Kaskaskia Water District	DW	477,545	2.535%	10/16/2020	Revenues
Kewanee	CW	61,806	2.815%	6/1/2016	Revenues
Kewanee	CW	101,642	2.890%	10/30/2017	Revenues
Kewanee	DW	405,072	2.570%	3/30/2025	Revenues
Kewanee	DW	319,802	1.250%	7/20/2031	Revenues
Kewanee	DW	306,980	2.295%	6/1/2033	Revenues
Kimberly Heights S.D.	CW	307,991	1.250%	7/1/2032	Revenues
Kinkaid-Reed's Creek	DW	365,217	2.905%	9/7/2021	Revenues
Kinmundy	DW	138,053	2.500%	6/1/2027	Revenues
Kirkwood	CW	3,840,111	1.250%	12/19/2032	Revenues
Kirkwood	DW	404,541	1.250%	9/9/2032	Revenues
Knoxville	CW	1,302,575	1.250%	10/15/2032	Revenues
Knoxville	DW	252,312	2.500%	2/13/2024	Revenues
Knoxville	DW	248,065	2.295%	4/15/2033	Revenues
Lacon	CW	677,715	2.905%	11/7/2021	Revenues
Ladd	CW	1,880,297	1.250%	9/10/2032	Revenues
Ladd	DW	781,556	2.500%	12/13/2025	Revenues
Lafayette	DW	45,734	1.250%	10/14/2031	Revenues
Lake Egypt Water District	DW	5,031,982	2.500%	3/16/2027	Revenues
Lake Villa	CW	465,793	2.535%	12/8/2020	Revenues
Lake Zurich	DW	1,474,704	2.500%	12/16/2026	Revenues
Lake Zurich	DW	1,447,213	2.500%	8/11/2028	Revenues
Lakes Region S.D.	CW	571,711	2.625%	6/30/2019	Revenues
Lakes Region S.D.	CW	3,672,445	2.500%	6/30/2027	Revenues
Lanark	DW	55,762	2.625%	3/8/2019	Revenues
LaSalle	CW	1,678,623	2.570%	12/30/2023	Revenues
Lebanon	DW	891,247	2.500%	3/13/2028	Revenues
Leland	DW	189,555	2.535%	12/17/2020	Revenues
Lena	CW	1,066,230	2.625%	11/1/2019	Revenues
Lena	DW	3,859,711	2.295%	1/28/2033	Revenues
Lewistown	CW	62,479	2.535%	5/15/2020	Revenues
Lewistown	CW	279,068	2.500%	7/15/2026	Revenues
Lewistown	DW	240,087	2.625%	7/7/2019	Revenues
Liberty-Ledford Water District	DW	74,800	2.625%	1/1/2019	Revenues
Libertyville	CW	286,661	3.015%	9/1/2014	Revenues
Lincoln	CW	6,065,156	2.570%	1/31/2024	Revenues
Lincolnwood	DW	4,730,836	2.500%	6/17/2028	Revenues
Lindenhurst S.D.	CW	1,756,396	2.625%	2/1/2020	Revenues
Lindenhurst S.D.	CW	11,258,755	1.250%	4/30/2032	Revenues
Litchfield	CW	3,113,913	2.535%	12/12/2021	Revenues
Litchfield	DW	10,713,998	2.500%	1/10/2029	Revenues



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Litchfield	DW	2,642,776	1.250%	11/21/2031	Revenues
Lockport	CW	8,331,383	2.500%	2/9/2029	Revenues
Lockport	DW	3,108,074	2.500%	10/16/2024	Revenues
Longview	DW	224,195	1.250%	12/1/2031	Revenues
Mackinaw	DW	1,727,928	2.570%	12/11/2023	Revenues
Macomb	DW	1,253,593	2.500%	4/20/2024	Revenues
Macon	DW	933,465	1.250%	11/23/2032	Revenues
Mahomet	CW	10,882,295	1.250%	1/1/2034	Revenues
Maple Park	CW	277,234	2.865%	5/12/2018	Revenues
Maple Park	DW	515,380	2.675%	3/11/2023	Revenues
Maple Park	DW	535,235	2.295%	1/29/2033	Revenues
Mapleton	DW	87,682	2.500%	7/14/2024	Revenues
Mapleton	DW	38,932	2.500%	9/10/2026	Revenues
Marion	CW	73,330	2.890%	10/10/2016	Revenues
Marion	CW	48,453	2.890%	3/14/2018	Revenues
Marion	CW	5,488,824	2.675%	2/15/2024	Revenues
Marion	CW	1,527,107	1.250%	8/1/2032	Revenues
Marion	CW	2,721,734	1.250%	8/1/2032	Revenues
Marissa	DW	1,387,060	2.500%	4/3/2028	Revenues
Marquette Heights	CW	743,408	1.250%	4/22/2031	Revenues
Marquette Heights	DW	397,945	2.500%	8/24/2025	Revenues
Marquette Heights	DW	768,610	2.500%	2/19/2029	Revenues
Marseilles	CW	5,249,017	2.500%	7/27/2029	Revenues
Maryville	CW	84,803	2.890%	8/27/2017	Revenues
Mascoutah	CW	194,311	2.890%	8/21/2017	Revenues
Mascoutah	DW	608,484	1.250%	11/8/2031	Revenues
Mason City	DW	2,195,755	2.500%	2/13/2029	Revenues
Mattoon	CW	163,503	2.865%	1/31/2018	Revenues
Mattoon	CW	5,505,811	2.675%	8/1/2023	Revenues
Mattoon	DW	3,078,334	2.865%	11/30/2019	Revenues
McCullom Lake	CW	1,267,051	2.570%	5/1/2023	Revenues
Melrose Park	DW	2,266,410	2.535%	6/1/2020	Revenues
Melrose Park	DW	3,648,740	2.625%	6/1/2020	Revenues
Mendota	CW	1,072,359	3.015%	12/15/2015	General Obligation
Merrionette Park	DW	766,275	1.250%	4/29/2032	Revenues
Metamora	CW	1,871,324	2.570%	12/29/2023	Revenues
Metamora	CW	1,076,205	1.250%	10/24/2032	Revenues
Metamora	DW	513,451	2.675%	7/16/2023	Revenues
Metamora	DW	126,337	2.500%	9/30/2024	Revenues
Metropolitan Water Reclamation	CW	44,674,169	2.500%	1/1/2029	General Obligation
Metropolitan Water Reclamation	CW	35,283,144	2.500%	1/1/2030	General Obligation
Metropolitan Water Reclamation	CW	25,186,660	2.500%	7/1/2030	General Obligation
Metropolitan Water Reclamation	CW	36,332,024	1.250%	7/1/2031	General Obligation
Metropolitan Water Reclamation	CW	44,904,568	1.250%	7/1/2032	General Obligation
Metropolitan Water Reclamation	CW	61,037,018	1.250%	7/1/2032	General Obligation
Metropolitan Water Reclamation	CW	24,622,934	1.250%	7/1/2033	General Obligation
Metropolitan Water Reclamation	CW	18,798,928	2.295%	7/1/2033	General Obligation
Mill Creek Water	DW	255,830	2.675%	1/9/2023	Revenues
Milledgeville	DW	928,963	2.500%	8/11/2029	Revenues
Millstadt	CW	5,272,131	2.500%	9/24/2028	Revenues

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Millstadt	DW	90,910	2.535%	5/23/2020	Revenues
Millstadt	DW	322,875	2.500%	6/15/2025	Revenues
Minonk	CW	29,200	3.015%	9/20/2014	General Obligation
Minonk	DW	233,132	2.570%	3/9/2023	Revenues
Minooka	CW	994,651	2.865%	12/1/2018	Revenues
Modesto	DW	153,069	2.500%	10/1/2028	Revenues
Moline	DW	7,543,544	2.675%	7/19/2024	Revenues
Montgomery	DW	623,755	2.675%	12/1/2022	Revenues
Montgomery	DW	4,122,579	1.250%	4/19/2032	Revenues
Morrison	DW	2,493,160	1.250%	7/15/2032	Revenues
Mount Carroll	DW	3,605,471	2.500%	7/31/2029	Revenues
Mount Morris	CW	9,902,872	1.250%	11/1/2033	Revenues
Mount Morris	DW	572,424	2.500%	7/1/2028	Revenues
Mount Prospect	CW	174,555	3.360%	12/10/2014	General Obligation
Mount Prospect	CW	338,465	2.890%	11/1/2017	General Obligation
Mount Prospect	CW	642,877	2.625%	6/3/2019	Revenues
Mount Vernon	CW	437,935	2.500%	5/30/2025	Revenues
Mundelein	CW	1,771,987	2.890%	10/1/2018	General Obligation
Murdale Water District	DW	203,376	2.625%	10/21/2019	Revenues
Murdale Water District	DW	508,070	2.500%	2/5/2025	Revenues
Murphysboro	DW	142,905	1.930%	3/1/2034	Revenues
Nashville	CW	780,797	1.250%	1/13/2031	Revenues
Nauvoo	DW	1,571,767	2.500%	7/24/2028	Revenues
Neponset	CW	633,802	2.500%	10/14/2026	Revenues
Neponset	DW	698,152	1.250%	7/15/2032	Revenues
New Athens	CW	2,127,097	2.295%	11/1/2033	Revenues
New Lenox	DW	4,464,548	2.535%	11/1/2020	Revenues
New Memphis S.D.	CW	291,664	2.500%	8/15/2028	Revenues
New Memphis Water District	DW	116,251	2.905%	10/20/2021	Revenues
New Memphis Water District	DW	221,319	2.500%	4/9/2025	Revenues
Newton	CW	26,926	2.865%	3/1/2018	Revenues
Nokomis	DW	254,324	2.625%	8/28/2019	Revenues
Nokomis	DW	746,746	1.250%	4/15/2032	Revenues
Norridge	DW	677,188	2.905%	4/8/2018	Revenues
Norridge	DW	459,142	2.295%	1/29/2033	Revenues
Norris	CW	319,268	2.500%	1/7/2027	Revenues
North Park Water District	DW	718,814	2.295%	11/11/2032	Revenues
North Pekin	DW	199,428	2.500%	9/9/2026	Revenues
North Tazewell	DW	268,845	2.625%	12/11/2019	Revenues
Northlake	DW	1,565,160	2.675%	3/19/2024	Revenues
Oblong	DW	456,172	2.570%	7/11/2024	Revenues
O'Fallon	CW	2,177,866	2.890%	8/1/2017	Revenues
O'Fallon	CW	101,545	2.865%	3/24/2018	Revenues
O'Fallon	CW	1,370,443	2.295%	4/1/2033	Revenues
O'Fallon	DW	756,259	2.500%	5/13/2028	Revenues
O'Fallon	DW	4,831,791	2.500%	2/13/2030	Revenues
Ohio	DW	1,013,751	2.500%	11/20/2029	Revenues
Okawville	CW	254,865	2.535%	3/1/2021	General Obligation
Okawville	DW	369,013	1.250%	1/5/2033	Revenues
Olney	DW	158,298	2.905%	5/23/2017	Revenues

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Oneida	CW	45,542	3.015%	2/4/2015	General Obligation
Oneida	DW	502,752	2.570%	4/16/2023	Revenues
Orangeville	CW	528,782	2.535%	2/1/2021	Revenues
Orion	CW	507,543	2.535%	1/27/2021	Revenues
Orion	CW	1,632,319	2.675%	10/10/2022	Revenues
Oswego	CW	233,241	2.890%	4/27/2017	General Obligation
Oswego	DW	895,067	2.500%	1/15/2025	Revenues
Ottawa	CW	1,010,342	2.500%	10/30/2026	Revenues
Otter Creek Lake Utility Dist.	DW	530,977	2.500%	10/15/2027	Revenues
Otter Lake Water Commission	DW	904,986	2.625%	5/12/2020	Revenues
Otter Lake Water Commission	DW	1,750,844	2.295%	7/28/2033	Revenues
Palos Park	CW	500,898	2.625%	1/31/2019	General Obligation
Palos Park	CW	1,336,917	2.625%	1/31/2019	General Obligation
Paris	DW	277,867	2.625%	1/5/2019	Revenues
Park Forest	CW	949,290	1.250%	7/1/2031	Revenues
Park Forest	DW	12,261,262	2.500%	1/1/2027	Revenues
Park Forest	DW	3,262,941	1.250%	4/27/2032	Revenues
Paw Paw	DW	57,441	2.295%	3/1/2033	Revenues
Pekin	CW	19,796,586	1.250%	9/1/2033	Revenues
Pekin	CW	4,636,937	2.295%	1/23/2035	Revenues
Peoria Heights	DW	1,129,787	1.250%	1/28/2032	Revenues
Peoria, Greater Sanitary and	CW	8,321,266	2.500%	2/15/2026	Revenues
Peru	DW	1,121,104	2.625%	3/28/2020	Revenues
Petersburg	DW	3,522,689	2.500%	9/24/2026	Revenues
Pingree Grove	CW	376,088	2.500%	2/5/2028	Revenues
Pingree Grove	CW	558,999	1.250%	12/14/2031	Revenues
Pingree Grove	DW	495,479	2.500%	2/5/2028	Revenues
Piper City	DW	91,724	2.500%	8/20/2028	Revenues
Pittsfield	DW	356,303	2.625%	9/3/2019	Revenues
Plainfield	DW	3,022,018	1.250%	6/15/2031	Revenues
Pleasant Plains	CW	1,673,101	2.500%	6/15/2028	Revenues
Polo	CW	8,406,395	1.250%	6/12/2033	Revenues
Pontiac	CW	2,857,345	2.500%	9/10/2027	Revenues
Pontiac	CW	3,776,347	1.250%	3/21/2032	Revenues
Port Barrington	CW	637,642	2.500%	3/19/2022	Revenues
Port Byron	DW	170,387	2.625%	11/1/2019	Revenues
Port Byron	DW	363,911	2.675%	10/1/2022	Revenues
Port Byron	DW	123,453	2.500%	2/12/2027	Revenues
Prairie Du Rocher	DW	317,825	2.500%	1/19/2029	Revenues
Princeton	CW	1,984,590	1.250%	9/8/2031	Revenues
Princeton	CW	4,080,818	1.250%	5/29/2032	Revenues
Princeton	DW	10,091,709	1.250%	5/18/2033	Revenues
Princeton	DW	6,151,836	2.295%	5/18/2033	Revenues
Princeville	DW	1,092,268	2.625%	8/5/2019	Revenues
Princeville	DW	718,832	1.250%	1/19/2027	Revenues
Prophetstown	CW	310,717	1.250%	11/15/2032	Revenues
Pulaski County	CW	380,371	1.250%	10/30/2031	Revenues
Ramsey	DW	42,017	2.570%	10/10/2023	Revenues
Ramsey	DW	45,260	2.500%	11/25/2024	Revenues
Red Bud	CW	708,825	2.675%	2/1/2023	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Ridgway	CW	56,019	2.625%	9/28/2019	Revenues
Rochelle	CW	1,030,461	2.890%	8/1/2017	Revenues
Rochelle	CW	459,056	2.500%	5/16/2027	Revenues
Rock Falls	CW	448,330	1.250%	11/19/2031	Revenues
Rock Falls	CW	3,568,980	1.250%	3/19/2032	Revenues
Rock Falls	DW	845,988	2.905%	4/4/2022	Revenues
Rock Island	CW	376,143	1.250%	12/6/2030	Revenues
Rock Island	CW	20,034,727	1.250%	8/1/2032	Revenues
Rock Island	CW	6,045,138	2.295%	9/1/2033	Revenues
Rock River Water Reclamation	CW	458,869	3.015%	2/24/2015	Revenues
Rock River Water Reclamation	CW	370,016	2.500%	4/16/2027	Revenues
Rock River Water Reclamation	CW	957,970	2.500%	9/15/2027	Revenues
Rock River Water Reclamation	CW	1,571,079	2.500%	9/15/2027	Revenues
Rock River Water Reclamation	CW	2,203,316	1.250%	2/6/2031	Revenues
Rockford	DW	1,903,036	2.500%	1/23/2029	Revenues
Rockford	DW	7,781,912	2.500%	11/20/2029	Revenues
Rockford	DW	11,444,545	2.500%	6/19/2030	Revenues
Rockford	DW	622,801	1.250%	8/10/2030	Revenues
Rockford	DW	2,453,639	1.250%	12/2/2030	Revenues
Rockford	DW	1,870,659	1.250%	8/17/2031	Revenues
Rockford	DW	2,265,093	1.250%	10/3/2031	Revenues
Rockford	DW	280,429	1.250%	3/25/2032	Revenues
Rockford	DW	369,693	1.250%	4/29/2032	Revenues
Rolling Meadows	DW	1,022,059	2.295%	12/16/2032	Revenues
Romeoville	CW	20,583,927	2.500%	12/1/2027	Revenues
Roseville	DW	261,585	2.535%	2/22/2021	Revenues
Round Lake Beach	DW	1,811,630	2.500%	10/29/2025	Revenues
Rushville	DW	355,759	2.865%	11/1/2018	Revenues
Rushville	DW	90,011	2.625%	8/1/2019	Revenues
Rushville	DW	854,839	2.675%	6/11/2022	Revenues
Salem	DW	746,946	2.570%	6/27/2023	Revenues
Salt Creek S.D.	CW	101,872	3.015%	7/28/2015	Revenues
Salt Creek S.D.	CW	5,513,144	2.500%	9/30/2025	Revenues
Salt Creek S.D.	CW	1,654,601	2.295%	1/15/2034	Revenues
Sandoval	DW	149,807	2.500%	9/16/2026	Revenues
Sauget	CW	685,825	3.015%	11/1/2015	General Obligation
Schram City	DW	45,166	2.675%	2/1/2022	Revenues
Scott-Morgan-Greene	DW	132,098	2.500%	5/1/2025	Revenues
Scott-Morgan-Greene	DW	433,218	2.500%	12/11/2028	Revenues
Scott-Morgan-Greene	DW	140,854	1.250%	3/3/2032	Revenues
Secor	DW	118,164	2.905%	9/22/2022	Revenues
Seneca	DW	846,941	2.500%	4/4/2028	Revenues
Sesser	CW	100,657	1.250%	4/13/2032	Revenues
Shawneetown	CW	247,843	2.295%	7/1/2033	Revenues
Sheridan	CW	128,865	1.250%	6/5/2032	Revenues
Sheridan S.D.	CW	102,130	3.360%	7/25/2014	General Obligation
Shiloh	CW	402,764	2.295%	6/13/2033	Revenues
Shumway	CW	227,422	2.500%	2/16/2027	Revenues
Smithton	CW	134,395	2.890%	7/1/2018	Revenues
Smithton	CW	115,001	2.625%	3/29/2019	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Smithton	CW	4,817,936	1.250%	6/19/2032	Revenues
Smithton	DW	669,196	2.675%	9/22/2023	Revenues
Smithton	DW	341,400	2.500%	1/10/2029	Revenues
Somonauk	DW	1,107,234	2.500%	6/15/2028	Revenues
Sorento	DW	59,385	2.570%	9/6/2023	Revenues
South Highway Water District	DW	435,765	2.500%	7/1/2025	Revenues
South Highway Water District	DW	331,111	2.500%	9/10/2027	Revenues
South Holland	DW	3,707,720	1.250%	8/2/2032	Revenues
South Palos Township S.D.	CW	2,823,551	1.250%	2/8/2032	Revenues
South Pekin	CW	612,674	2.535%	12/1/2020	Revenues
Sparta	DW	1,354,538	2.500%	6/1/2025	Revenues
Spoon Valley Lake S.D.	CW	1,942,461	1.250%	5/1/2031	Revenues
Spring Grove	CW	1,038,293	2.675%	7/1/2022	Revenues
Spring Valley	DW	1,923,047	2.500%	6/15/2025	Revenues
Springerton	CW	122,805	2.500%	9/10/2026	Revenues
Springfield	CW	1,662,464	2.865%	4/15/2019	Revenues
Springfield	CW	1,254,406	2.535%	1/28/2021	Revenues
Springfield	DW	1,213,084	2.675%	4/28/2022	Revenues
Springfield Metro S.D.	CW	16,450,438	1.250%	11/1/2031	Revenues
Springfield Metro S.D.	CW	18,750,408	1.250%	12/7/2032	Revenues
St. Charles	CW	3,172,005	2.535%	12/18/2020	General Obligation
St. Charles	CW	6,688,268	2.500%	5/28/2025	Revenues
St. Charles	CW	1,868,096	2.295%	2/4/2034	Revenues
St. Charles	DW	5,596,107	1.250%	2/23/2031	Revenues
St. Clair Township	CW	408,195	1.250%	1/27/2032	Revenues
St. Jacob	DW	122,937	2.535%	1/1/2020	Revenues
Steeleville	CW	271,914	2.675%	3/28/2022	General Obligation
Steeleville	DW	121,372	2.570%	3/19/2024	Revenues
Sterling	CW	656,375	2.890%	3/1/2018	General Obligation
Sterling	CW	593,261	2.500%	1/18/2026	Revenues
Stockton	CW	499,981	2.500%	3/10/2029	Revenues
Stockton	DW	534,560	1.250%	8/5/2032	Revenues
Stookey Twp.	CW	9,757,479	1.250%	6/17/2033	Revenues
Sublette	DW	552,633	1.250%	3/6/2031	Revenues
Sugar Grove	CW	1,423,379	2.625%	9/28/2019	Revenues
Sugar Grove	DW	950,898	2.675%	10/8/2023	Revenues
Sugar Grove	DW	795,772	2.570%	6/18/2024	Revenues
Swansea	CW	19,078,410	2.500%	5/16/2030	Revenues
Swansea	CW	659,277	1.250%	4/13/2032	Revenues
Sycamore	CW	365,090	3.015%	1/15/2015	Revenues
Sycamore	DW	495,689	2.500%	8/5/2024	Revenues
Sycamore	DW	627,142	2.500%	9/15/2026	Revenues
Sycamore	DW	760,223	2.500%	12/19/2026	Revenues
Tampico	CW	40,806	2.625%	12/9/2018	Revenues
Tampico	CW	183,705	2.295%	2/1/2033	Revenues
Taylorville	CW	695,155	1.250%	8/8/2031	Revenues
Taylorville S.D.	CW	203,052	3.015%	9/1/2014	General Obligation
Tennessee	CW	179,000	1.250%	6/4/2032	Revenues
Teutopolis	DW	178,015	2.570%	4/22/2023	Revenues
Thomasboro	CW	1,656,103	2.905%	3/10/2023	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
Thorn Creek Basin S.D.	CW	4,274,130	2.500%	11/5/2027	Revenues
Thorn Creek Basin S.D.	CW	849,746	2.500%	3/30/2028	Revenues
Toledo	DW	152,606	1.250%	1/6/2031	Revenues
Toluca	CW	169,795	2.500%	10/30/2015	Revenues
Toluca	DW	141,280	2.535%	6/8/2021	Revenues
Toluca	DW	394,310	2.500%	5/5/2025	Revenues
Tonica	DW	70,292	1.250%	12/21/2030	Revenues
Tower Lakes	DW	725,705	2.295%	5/15/2033	Revenues
Trenton	CW	65,971	2.535%	3/3/2020	Revenues
Trenton	CW	52,862	2.500%	12/15/2023	Revenues
Trenton	CW	127,778	2.500%	10/26/2025	Revenues
Trenton	DW	231,770	2.905%	12/18/2021	Revenues
Trenton	DW	420,452	2.570%	6/15/2024	Revenues
Troy	CW	2,774,857	2.890%	6/1/2018	Revenues
Tuscola	CW	162,332	1.250%	2/4/2032	Revenues
Tuscola	DW	888,569	1.250%	3/15/2032	Revenues
Tuscola	DW	67,013	1.250%	9/9/2032	Revenues
United City of Yorkville	CW	635,885	2.625%	9/6/2019	Revenues
United City of Yorkville	DW	1,425,113	2.500%	8/9/2026	Revenues
Urbana Champaign S.D.	CW	30,477,118	2.570%	6/14/2025	Revenues
Urbana Champaign S.D.	CW	2,824,836	2.500%	8/7/2025	Revenues
Urbana Champaign S.D.	CW	4,844,152	2.500%	10/6/2026	Revenues
Urbana Champaign S.D.	CW	13,673,929	1.250%	12/25/2031	Revenues
Vandalia	DW	453,063	2.500%	8/11/2024	Revenues
Verona	CW	224,891	2.500%	3/22/2026	Revenues
Victoria	DW	306,864	1.250%	11/12/2031	Revenues
Villa Grove	CW	402,666	2.535%	10/22/2020	General Obligation
Villa Grove	CW	552,260	2.905%	8/1/2022	Revenues
Villa Park	CW	248,980	2.500%	7/1/2024	Revenues
Villa Park	CW	628,757	2.500%	4/29/2029	Revenues
Viola	CW	1,464,811	1.250%	5/27/2032	Revenues
Virden	DW	1,781,641	1.250%	11/9/2032	Revenues
Virginia	DW	3,100,620	1.250%	10/1/2031	Revenues
Volo	DW	1,892,188	2.295%	5/15/2033	Revenues
Walnut	DW	403,837	2.500%	9/15/2024	Revenues
Warren	DW	240,609	2.570%	7/31/2024	Revenues
Wasco S.D.	DW	903,413	2.570%	8/12/2023	Revenues
Washington	CW	934,695	2.890%	3/1/2018	Revenues
Wataga	DW	284,630	1.250%	11/15/2032	Revenues
Waterloo	CW	9,502,316	2.500%	1/24/2027	Revenues
Waterloo	DW	1,168,238	2.500%	11/21/2027	Revenues
Watson	CW	142,541	2.625%	7/13/2019	General Obligation
Wauconda	DW	3,206,520	2.500%	2/21/2027	Revenues
Waverly	DW	260,865	2.295%	3/1/2033	Revenues
Wayne City	DW	250,523	2.570%	2/1/2023	Revenues
West Chicago	DW	6,999,125	2.570%	9/9/2024	Revenues
West Frankfort	CW	16,020	2.815%	1/5/2016	Revenues
West Frankfort	CW	48,986	2.865%	8/7/2018	Revenues
West Frankfort	CW	43,700	2.535%	4/30/2020	Revenues
West Frankfort	CW	92,600	2.500%	12/20/2025	Revenues

<b>Loan</b>	<b>Program</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Pledge</b>
West Frankfort	CW	196,156	2.500%	5/16/2027	Revenues
West Frankfort	DW	857,148	2.500%	7/23/2026	Revenues
West Frankfort	DW	256,438	2.500%	11/14/2028	Revenues
West Frankfort	DW	324,821	1.250%	5/1/2031	Revenues
West Point	CW	45,623	2.535%	9/7/2020	Revenues
Westchester	CW	845,455	1.250%	4/15/2032	Revenues
Western Springs	CW	502,838	2.570%	1/1/2024	Revenues
Western Springs	DW	6,694,650	1.250%	9/28/2032	Revenues
Westville	CW	589,027	2.500%	2/8/2028	Revenues
Westville - Belgium S.D.	CW	1,917,345	2.500%	10/25/2027	Revenues
Will County	CW	324,429	2.675%	4/30/2023	Revenues
Will County	DW	261,339	2.675%	4/30/2023	Revenues
Williamsville	DW	585,899	2.535%	10/1/2020	Revenues
Wilmette	CW	317,405	2.500%	9/13/2026	Revenues
Wilmette	CW	229,204	2.500%	10/21/2027	Revenues
Wilmette	CW	272,229	2.500%	10/21/2027	Revenues
Wilmette	CW	706,864	1.250%	7/18/2031	Revenues
Wilmette	CW	743,756	2.295%	8/5/2032	Revenues
Winchester	CW	817,667	2.675%	2/19/2023	Revenues
Winchester	CW	437,842	2.500%	5/17/2028	Revenues
Winslow	CW	860,465	1.250%	10/10/2032	General Obligation
Wood River	CW	8,807,613	1.250%	12/21/2032	Revenues
Woodhull	CW	101,908	1.250%	4/13/2032	Revenues
Woodlawn	CW	96,884	2.500%	9/10/2026	Revenues
Worden	DW	824,113	1.250%	5/16/2032	Revenues
Yorkville - Bristol S.D.	CW	918,673	2.675%	5/15/2023	Revenues
Total CW		\$1,301,209,082			
Total DW		449,433,239			
Combined Total		<u>\$1,750,642,321</u>			

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## APPENDIX D

### PROPOSED FORM OF BOND COUNSEL OPINION

December 5, 2013

The Members of the  
Illinois Finance Authority

Dear Members:

We have examined a record of proceedings relating to the issuance of \$141,700,000 aggregate principal amount of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013 (the "Bonds") of the Illinois Finance Authority, a body politic and corporate of the State of Illinois (the "Authority") duly organized and existing under the Illinois Finance Authority Act, 20 Illinois Compiled Statutes 3501 (the "Act"). The Bonds are authorized and issued under and pursuant to the Act, and by virtue of Resolution 2013-1008-PI02, adopted by the members of the Authority on October 8, 2013 (the "Bond Resolution"). The Bonds are issued and secured under the Master Trust Agreement dated as of November 1, 2013, by and between the Authority and Amalgamated Bank of Chicago, as master trustee (the "Master Trustee") as supplemented by the First Supplemental Master Trust Agreement dated as of November 1, 2013, by and between the Authority and the Master Trustee.

The Bonds are dated December 5, 2013 and bear interest from their date payable on July 1, 2014 and semiannually thereafter on each January 1 and July 1. The Bonds mature on the following maturity dates in the respective principal amount set opposite each such maturity date in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
July 1, 2014	\$11,380,000	1.50%
January 1, 2015	11,170,000	5.00
July 1, 2015	10,870,000	3.00
January 1, 2016	10,605,000	4.00
July 1, 2016	10,260,000	5.00
January 1, 2017	10,095,000	5.00
July 1, 2017	10,005,000	5.00
January 1, 2018	9,540,000	5.00
July 1, 2018	9,140,000	5.00
January 1, 2019	8,270,000	5.00
July 1, 2019	7,590,000	5.00
January 1, 2020	7,075,000	5.00
July 1, 2020	6,380,000	5.00
January 1, 2021	375,000	4.00
January 1, 2021	4,385,000	5.00
July 1, 2021	3,450,000	5.00
January 1, 2022	3,365,000	4.00
July 1, 2022	3,255,000	5.00
January 1, 2023	2,585,000	5.00
July 1, 2023	1,905,000	5.00

The Bonds are subject to pro-rata extraordinary mandatory redemption in such principal amounts as may be required to maintain the tax-exempt status of the interest on the Bonds in accordance with Section 149(f) of the Internal Revenue Code of 1986, on February 2, 2015 and on February 1, 2017, at the applicable redemption prices set forth in the First Supplemental Master Trust Agreement.

The Bonds and all other Additional Indebtedness (as defined in the Master Trust Agreement) hereafter issued or incurred under the Master Trust Agreement are ratably and equally entitled to the benefits and security of the Master Trust Agreement, including the pledge of the Master Trust Estate under the Master Trust Agreement. The Master Trust Estate includes all Pledged Agreements (as defined in the Master Trust Agreement) which may from time to time be assigned to and held by the Master Trustee under the terms of the Master Trust Agreement (other than Loan Support Fees due under the Pledged Agreements) subject to the application of Revenues (as defined in the Master Trust Agreement) and the administration of the Pledged Agreements, in accordance with the provisions of the Master Trust Agreement.

The Act provides that the Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois within the purview of any constitutional limitation or provision. The Authority has no taxing power.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Bond Resolution, to enter into the Master Trust Agreement and the First Supplemental Master Trust Agreement, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Resolution, the Master Trust Agreement and the First Supplemental Master Trust Agreement.

2. The Bond Resolution has been duly adopted by the members of the Authority and is in full force and effect.

3. The Master Trust Agreement and the First Supplemental Master Trust Agreement have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

4. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority payable from Revenues, are entitled to the benefits and security of the Master Trust Agreement and the First Supplemental Master Trust Agreement, and are enforceable in accordance with their terms.

5. The Bonds and all Additional Indebtedness are ratably and equally secured under the Master Trust Agreement by the pledges and assignments created by the Master Trust Agreement, including the pledge of the Master Trust Estate. The Master Trust Agreement creates a valid pledge of and lien on the Master Trust Estate for the benefit and security of the Bonds and all Additional Indebtedness, subject to the application of the Revenues and the administration of Master Trust Estate in accordance with the terms of the Master Trust Agreement, including periodic withdrawals of Pledged Agreements and moneys free from the lien of the Master Trust Agreement.

6. Interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Interest on the Bonds does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

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 Authority has covenanted in the Master Trust Agreement to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Causey Demgen & Moore P.C., certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

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, the Master Trust Agreement and the First Supplemental Master Trust Agreement (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,

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**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**CONTINUING DISCLOSURE UNDERTAKING  
FOR THE PURPOSE OF PROVIDING  
CONTINUING DISCLOSURE INFORMATION  
UNDER SECTION (b)(5) OF RULE 15c2-12**

This Continuing Disclosure Undertaking (the "Agreement") is executed and delivered by the Illinois Finance Authority (the "Authority") in connection with the issuance of the Authority's \$141,700,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013 (the "Bonds"). The Bonds are being issued under and pursuant to a Master Trust Agreement dated as of November 1, 2013 (the "Master Trust Agreement") between the Authority and Amalgamated Bank of Chicago, an Illinois banking corporation, as master trustee (the "Master Trustee"), as supplemented by a First Supplemental Master Trust Agreement dated as of November 1, 2013 (the "First Supplemental Master Trust Agreement"), between the Authority and the Master Trustee.

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

Section 1. Purpose of this Agreement. This Agreement is executed and delivered by the Authority as of the date set forth below, for the benefit of the beneficial owners of the Bonds for the purpose of providing certain information annually and to provide notice of certain events to the MSRB (defined below) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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

"Agency" means the Illinois Environmental Protection Agency.

"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 as set forth in Section 4.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"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.

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

*"MOA"* means the Memorandum of Agreement by and between the Authority and the Agency.

*"MSRB"* means the Municipal Securities Rulemaking Board.

*"Obligated Participant"* means a Participant which as of the end of a Fiscal Year of the Agency had a loan or loans outstanding and pledged to secure the Authority's bonds issued on behalf of the Agency in an aggregate principal amount equal to or greater than 20 percent of the aggregate amount of all outstanding Participants' loans which are pledged to secure the Authority's bonds issued on behalf of the Agency.

*"Participant"* means a unit of local government receiving a loan from the Agency to finance the construction of wastewater treatment works or drinking water facilities.

*"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 set forth in Exhibit II.

*"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 Authority pursuant to Sections 4 and 5.

Section 3. CUSIP Numbers/Official Statement. The CUSIP Numbers of the Bonds are as set forth in Exhibit III. The Final Official Statement relating to the Bonds is dated November 20, 2013 (the "Official Statement").

Section 4. Annual Financial Information Disclosure. In accordance with the MOA, the Agency will deliver the Annual Financial Information to the Authority and, if applicable, the Dissemination Agent, in sufficient time to permit the Authority to comply with the provisions of this section. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate its Annual Financial Information in electronic format (in the form and by the dates set forth in Exhibit I hereto) 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. The Authority is required to deliver such information in such manner and by such time so that the MSRB receives the information by the dates specified in Exhibit I. Pursuant to MSRB Rule G-32, all EMMA filings by the Authority shall be in word-searchable PDF format. This requirement extends to all documents filed within 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 Authority



shall 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 and its impact on the type of information being provided.

Section 5. Reportable Events Disclosure. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate in a timely manner (not in excess of ten (10) business days after the occurrence of the Reportable Event) 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 to such information. 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 First Supplemental Trust Agreement.

Section 6. Duty to Update the Procedures. The Authority shall determine, in the manner it deems appropriate, the proper procedures for disseminating such information required to be disseminated under the Rules each time it is required to file such information with EMMA.

Section 7. Consequences of Failure of the Authority to Provide Information. The Authority shall give notice in a timely manner to the EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder. In the event of a failure of the Authority to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order to the cause the Authority to comply with its obligations under this Agreement. Any court action to enforce this Agreement must be commenced in the Circuit Court of Cook County, Illinois.

A default under this Agreement shall not be deemed an event of default under the Master Trust Agreement or the First Supplemental Trust Agreement with respect to the Bonds, and the sole remedy in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance. A failure by the Authority to comply with this Agreement 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 Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Authority may amend this Agreement, and any provision of this Agreement may be waived, if:

- (a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change

in the identity, nature or status of the Authority or the Agency, or type of business conducted;

(b) 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

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by a party unaffiliated with the Authority (such as the Master Trustee or bond counsel), or by the approving vote of the owners of the Bonds pursuant to the terms of the Master Trust Agreement at the time of the amendment; or

(d) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Undertaking. The Undertaking of the Authority shall be terminated hereunder if the Authority no longer has any legal liability for any obligation on or relating to repayment of the Bonds under the Master Trustee Agreement and the First Supplemental Trust Agreement. If this Section is applicable, the Authority shall give notice in a timely manner to EMMA.

Section 10. Dissemination Agent. The Authority 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.

Section 11. Obligated Participants. As of the date of this Agreement, there are no Obligated Participants. In accordance with the MOA, the Agency has agreed to promptly provide the Authority and, if applicable, the Dissemination Agent, with any and all information required for the Authority to make the determination of Obligated Participants described below, to include in its loan agreements with Participants a provision obligating each Obligated Participant to enter into a continuing disclosure undertaking as described below and to compel each Obligated Participant, if necessary, to provide the information required under its continuing disclosure undertaking.

By December 31 of each year, commencing on December 31, 2013, the Authority agrees to determine whether any Participant is an Obligated Participant. Each Obligated Participant shall remain an Obligated Participant for so long as its loan from the Agency is outstanding and is pledged to secure the Authority's bonds issued on behalf of the Agency. As to any Obligated Participant, the Authority agrees to require such Obligated Participant to enter into a continuing disclosure undertaking, in either case in a form which, in the opinion of counsel of national reputation experienced in bond or federal securities law selected by the Authority, complies with the requirements of Rule.

Section 12. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority 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 Authority 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 Authority 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.

Section 13. Beneficiaries. This Agreement has been executed to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Authority and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

Section 14. Recordkeeping. The Authority shall maintain records of all Annual Financial Information Disclosure and 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.

Section 15. Assignment. The Authority shall not transfer its obligations under the Master Trust Agreement and the First Supplemental Trust Agreement unless the transferee agrees to assume all obligations of the Authority under this Agreement or to execute a similar agreement obligating such transference to comply with the provisions of the Rule.

Section 16. Governing Law. This Agreement shall be governed by the internal laws of the State of Illinois.

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ILLINOIS FINANCE AUTHORITY

By: \_\_\_\_\_  
Name: Christopher Meister  
Its: Executive Director

Date: December 5, 2013

## **EXHIBIT I**

### **ANNUAL FINANCIAL INFORMATION AND TIMING**

Annual Financial Information includes the financial information and operating data as set forth below. All or a portion of the Annual Financial Information (as set forth below) may be included by reference to other documents, including other official statements (subject to the following sentence), which have been submitted to EMMA or filed with the Commission. The Authority shall clearly identify each such item of information included by reference.

#### **Annual Financial Information**

*"Annual Financial Information"* means financial information and operating data consisting of the information of the type contained in the final Official Statement in the table under the heading "Projected Cash Flow and Debt Service Table" and in Appendix C - "Pledged Agreements for the Series 2013 Bonds."

Annual Financial Information will be submitted to EMMA not more than 180 days after the last day of the Authority's Fiscal Year which is June 30th of each calendar year.

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

## **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.
- (9) Tender offers.
- (10) Defeasances, release, substitution, or sale of property securing repayment of the Bonds, if material.
- (11) Rating changes.
- (12) Bankruptcy insolvency, receivership or similar event of the Authority (such an Event will be considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the Authority 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 Authority, or if the jurisdiction of the Authority has been assumed by leaving the Authority and the Authority's 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 Authority).
- (13) Merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the Authority's assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Notices of failures to provide annual financial information on or before the date specified in the Continuing Disclosure Undertaking.
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

**EXHIBIT III**

**CUSIP\* NUMBERS**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1, 2014	1.50%	45203HXG2
January 1, 2015	5.00%	45203HXH0
July 1, 2015	3.00%	45203HXJ6
January 1, 2016	4.00%	45203H XK3
July 1, 2016	5.00%	45203HXL1
January 1, 2017	5.00%	45203HXM9
July 1, 2017	5.00%	45203H XN7
January 1, 2018	5.00%	45203HXP2
July 1, 2018	5.00%	45203HXQ0
January 1, 2019	5.00%	45203HXR8
July 1, 2019	5.00%	45203HXS6
January 1, 2020	5.00%	45203HXT4
July 1, 2020	5.00%	45203HXU1
January 1, 2021	4.00%	45203HXV9
January 1, 2021	5.00%	45203HYB2
July 1, 2021	5.00%	45203H XW7
January 1, 2022	4.00%	45203HXX5
July 1, 2022	5.00%	45203HXY3
January 1, 2023	5.00%	45203HXZ0
July 1, 2023	5.00%	45203HYA4

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\*Copyright 2013, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division 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 Bonds and neither the Authority nor the Underwriters 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 is subject to being changed after the issuance of the 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 Bonds.

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**APPENDIX F**

**FORM OF OBLIGATED PARTICIPANT CONTINUING DISCLOSURE AGREEMENT**

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## PROPOSED FORM OF OBLIGATED PARTICIPANT CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Undertaking (the "Agreement") is executed and delivered by \_\_\_\_\_ (the "Participant") in connection with the issuance by the Illinois Finance Authority (the "Authority") of its \$141,700,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013 (the "Bonds"). The Bonds are being issued under and pursuant to a Master Trust Agreement dated as of November 1, 2013 (the "Master Trust Agreement") between the Authority and Amalgamated Bank of Chicago, an Illinois banking corporation, as master trustee (the "Master Trustee"), as supplemented by a First Supplemental Master Trust Agreement dated as of November 1, 2013 (the "First Supplemental Master Trust Agreement"), between the Authority and the Master Trustee.

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

Section 1. Purpose of this Agreement. This Agreement is executed and delivered by the Participant as of the date set forth below, for the benefit of the beneficial owners of the Bonds for the purpose of providing certain information annually and to provide notice of certain events to the MSRB (defined below) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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

"Agency" means the Illinois Environmental Protection Agency.

"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 audited general purpose financial statements of the Participant prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time and as described in Exhibit I.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the Participant and which has filed with the Participant a written acceptance of such designation.

"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.

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

"Loan" means the loan of a portion of the proceeds of the Bonds to the Participant by the Agency to finance eligible wastewater treatment and sanitary sewage facilities or drinking water facilities.

"MSRB" means the Municipal Securities Rulemaking Board.

"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 set forth in Exhibit II.

“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 Participant pursuant to Sections 4 and 5.

Section 3. CUSIP Numbers/Official Statement. The CUSIP Numbers of the Bonds are as set forth in Exhibit III. The Final Official Statement relating to the Bonds is dated November 20, 2013 (the “Official Statement”).

Section 4. Annual Financial Information Disclosure. Subject to Section 9 of this Agreement, the Participant hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements in electronic format (in the form and by the dates set forth in Exhibit I hereto) 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. The Participant is required to deliver such information in such manner and by such time so that the MSRB receives the information by the dates specified in Exhibit I. Pursuant to MSRB Rule G-32, all EMMA filings by the Participant shall be in word-searchable PDF format. This requirement extends to all documents filed within EMMA, including financial statements and other externally prepared reports.

The Participant may satisfy its obligations under this Section by reference to the extent its Annual Financial Information and its Audited Financial Statements have previously been disseminated to EMMA in fulfillment of its obligations under a separate continuing disclosure undertaking.

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 Participant shall 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 and its impact on the type of information being provided.

Section 5. Reportable Events Disclosure. Subject to Section 9 of this Agreement, the Participant hereby covenants that it will disseminate in a timely manner (not in excess of ten (10) business days after the occurrence of the Reportable Event) 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 to such information. 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 First Supplemental Trust Agreement.

Section 6. Duty to Update the Procedures. The Participant shall determine, in the manner it deems appropriate, the proper procedures for disseminating such information required to be disseminated under the Rules each time it is required to file such information with EMMA.

Section 7. Consequences of Failure of the Participant to Provide Information. The Participant shall give notice in a timely manner to the EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder. In the event of a failure of the Participant to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order to the cause the Participant to comply with its obligations under this Agreement. Any court action to enforce this Agreement must be commenced in the Circuit Court of Cook County, Illinois.

A default under this Agreement shall not be deemed an event of default under the Master Trust Agreement or the First Supplemental Trust Agreement with respect to the Bonds, and the sole remedy in the event of any failure of the Participant to comply with this Agreement shall be an action to compel performance. A failure by the Participant to comply with this Agreement 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 Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Participant may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Participant or the Agency, or type of business conducted;

(b) 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

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by a party unaffiliated with the Participant (such as the Master Trustee or bond counsel), or by the approving vote of the owners of the Bonds pursuant to the terms of the Master Trust Agreement at the time of the amendment; or

(d) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Undertaking. The Agreement of the Participant shall be terminated hereunder (i) if the Participant no longer has any legal liability for any obligation on or relating to repayment of the Bonds under the Master Trustee Agreement and the First Supplemental Trust Agreement or (ii) the Loan of the Participant is no longer outstanding or pledged to secure the Bonds. If this Section is applicable, the Participant shall give notice in a timely manner to EMMA.

Section 10. Dissemination Agent. The Participant 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.

Section 11. Additional Information. Nothing in this Agreement shall be deemed to prevent the Participant 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 Participant 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 Participant 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.

Section 12. Beneficiaries. This Agreement has been executed to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Participant and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The Participant shall maintain records of all Annual Financial Information Disclosure and 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.

Section 14. Assignment. The Participant shall not transfer its obligations under the Master Trust Agreement and the First Supplemental Trust Agreement unless the transferee agrees to assume all obligations of the Participant under this Agreement or to execute a similar agreement obligating such transference to comply with the provisions of the Rule.

Section 15. Governing Law. This Agreement shall be governed by the internal laws of the State of Illinois.

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\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

## **EXHIBIT I**

### **ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS**

Annual Financial Information includes the financial information and operating data as set forth below. 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, including other official statements (subject to the following sentence), which have been submitted to EMMA or filed with the Commission. The Participant shall clearly identify each such item of information included by reference.

#### **Annual Financial Information**

"Annual Financial Information" means financial information and operating data of the Participant consisting of the following information:

[operating revenues and expenses of the wastewater treatment and sanitary sewage facilities or drinking water facilities financed by the Loan and/or property taxes levied and collected which are pledged to pay the Loan]

Annual Financial Information will be submitted to EMMA not more than \_\_\_\_ days after the last day of the Participant's Fiscal Year which is \_\_\_\_\_ of each calendar year.

Audited Financial Statements will be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (i.e., as subject to the pronouncements of the Governmental Standards Accounting Board) and subject to any express requirements of State law. Audited Financial Statements will be submitted to EMMA within 30 days after availability to the Participant.

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



## **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.
- (9) Tender offers.
- (10) Defeasances, release, substitution, or sale of property securing repayment of the Bonds, if material.
- (11) Rating changes.
- (12) Bankruptcy insolvency, receivership or similar event of the Participant (such an Event will be considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the Participant 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 Participant, or if the jurisdiction of the Participant has been assumed by leaving the Participant and the Participant's 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 Participant).
- (13) Merger, consolidation, or acquisition involving the Participant or the sale of all or substantially all of the Participant's assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Notices of failures to provide annual financial information on or before the date specified in the Continuing Disclosure Undertaking.
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

**EXHIBIT III****CUSIP\* NUMBERS**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1, 2014	1.50%	45203HXC2
January 1, 2015	5.00%	45203HXC0
July 1, 2015	3.00%	45203HXC6
January 1, 2016	4.00%	45203HXC3
July 1, 2016	5.00%	45203HXL1
January 1, 2017	5.00%	45203HXM9
July 1, 2017	5.00%	45203HXC7
January 1, 2018	5.00%	45203HXP2
July 1, 2018	5.00%	45203HXC0
January 1, 2019	5.00%	45203HXR8
July 1, 2019	5.00%	45203HXS6
January 1, 2020	5.00%	45203HXT4
July 1, 2020	5.00%	45203HXC1
January 1, 2021	4.00%	45203HXC9
January 1, 2021	5.00%	45203HYB2
July 1, 2021	5.00%	45203HXC7
January 1, 2022	4.00%	45203HXC5
July 1, 2022	5.00%	45203HXC3
January 1, 2023	5.00%	45203HXC0
July 1, 2023	5.00%	45203HYA4

\*Copyright 2013, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division 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 Bonds and neither the Authority nor the Underwriters 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 is subject to being changed after the issuance of the 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 Bonds.

**APPENDIX G**  
**BOOK-ENTRY ONLY SYSTEM**

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## **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company ("DTC") New York, NY, will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each of the Series 2013 Bonds, each in the total aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 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 2013 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 the Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 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 the Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 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 the Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the First Supplemental Master Trust Agreement or the Master Trust Agreement. For example, Beneficial Owners of the Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 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 Master 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 2013 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2013 Bonds of such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 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 related Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Series 2013 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Master Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor of its nominee, the Master Trustee or the Authorities, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Master 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 depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the related Authority or the Master Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates related to the Authority's Bonds 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 Authority and IEPA believe to be reliable, but neither the Authority nor IEPA takes any responsibility for the accuracy thereof.

**None of the IEPA, the Authority and the Master Trustee can or do give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Series 2013 Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the IEPA, the Authority or the Master Trustee are responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 2013 Bonds or any error or delay relating thereto.**

**None of the IEPA, the Authority or the Master Trustee will have any responsibility or obligation to Direct Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal or premium, if any, or interest on the Series 2013 Bonds; (iii) any notice that is permitted or required to be given to Holders under the Indenture; (iv) the selection by DTC, any Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Series 2013 Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Direct Participants or Indirect Participants under the book-entry system.**





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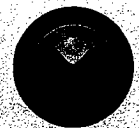


# Clean Water Initiative

[Cleanwater.Illinois.Gov](http://Cleanwater.Illinois.Gov)



ILLINOIS FINANCE AUTHORITY



Illinois Environmental  
Protection Agency



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From responsible  
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