

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 2017 Bonds will not be includable in gross income for federal income tax purposes. Interest on the Series 2017 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 2017 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 2017 Bonds is not exempt from Illinois income taxes. See “TAX EXEMPTION” herein.



\$560,025,000
ILLINOIS FINANCE AUTHORITY
STATE OF ILLINOIS CLEAN WATER INITIATIVE
REVOLVING FUND REVENUE BONDS, SERIES 2017

**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 2017 (the “*Series 2017 Bonds*”), are being issued under a Master Trust Agreement dated as of November 1, 2013 (the “*Master Trust Agreement*”) between the Authority and Amalgamated Bank of Chicago, an Illinois State banking corporation, as master trustee (the “*Master Trustee*”), as heretofore supplemented, and as further supplemented and amended by the Third Supplemental Master Trust Agreement dated as of September 1, 2017 (the “*Third Supplemental Master Trust Agreement*”), between the Authority and the Master Trustee. All Bonds issued under the Master Trust Agreement, including the Series 2017 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 payments of Loan Support Fees), and (ii) any other funds held by the Master Trustee under the Master Trust Agreement. The Series 2017 Bonds are being issued on a parity with the outstanding Series 2013 Bonds and Series 2016 Bonds (each as defined herein). Additional Indebtedness (as defined herein) may be issued pursuant to the Master Trust Agreement. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Pledged Agreements”.

Proceeds from the sale of the Series 2017 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 and (ii) to pay costs of issuance, all as more fully described herein. See “PLAN OF FINANCE” herein.

The Series 2017 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 F—“BOOK-ENTRY ONLY SYSTEM” herein. Interest on the Series 2017 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2018. The Series 2017 Bonds are subject to extraordinary mandatory, optional and mandatory sinking fund redemption prior to maturity, as described herein.

The Series 2017 Bonds are limited obligations of the Authority. The principal of and premium, if any, and the interest thereon are payable solely from revenues pledged under the Master Trust Agreement, and funds available under the Master Trust Agreement. The Series 2017 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 2017 Bonds only from the revenues pledged pursuant to the Master Trust Agreement. Neither the full 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 2017 Bonds. The Authority has no taxing power.

The Third Supplemental Master Trust Agreement contains amendments to the Master Trust Agreement, certain of which will become effective upon the issuance of the Series 2017 Bonds without Bondholder consent and two of which (the Fund Release Amendment and the Equity Fund Amendment, each as defined herein) require the consent of the holders of a majority in aggregate principal amount of the outstanding Bonds (as defined herein). Bondholders and Beneficial Owners of the Series 2017 Bonds, by their purchase thereof, shall be deemed to have irrevocably consented to the Fund Release Amendment and to the Equity Fund Amendment. Upon the issuance of the Series 2017 Bonds, all conditions to the effectiveness of the Fund Release Amendment and the Equity Fund Amendment will have been satisfied and the Master Trust Agreement will be so amended. See “INTRODUCTION—Amendments to Master Trust Agreement”.

Certain information in the Preliminary Official Statement dated August 18, 2017 has been updated in this Official Statement. See “INTRODUCTION—Supplementary Disclosure Information.”

The Series 2017 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, Schiff Hardin LLP, Chicago, Illinois; for the Underwriters by their co-counsel, Chapman and Cutler 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 2017 Bonds will be issued and available for delivery through DTC on or about September 12, 2017.

BOFA MERRILL LYNCH**CITIGROUP****Academy Securities**
Janney Montgomery Scott**Loop Capital Markets****Cabrera Capital Markets, LLC**
Mesirow Financial, Inc.

August 29, 2017

\$560,025,000
ILLINOIS FINANCE AUTHORITY
STATE OF ILLINOIS CLEAN WATER INITIATIVE REVOLVING FUND REVENUE BONDS
SERIES 2017

MATURITY SCHEDULE

MATURITY DATE	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP [†] BASE: 45204E
July 1, 2018	\$ 8,700,000	5.00%	0.77%	103.377	WZ7
January 1, 2019	10,000,000	5.00	0.87	105.337	XA1
July 1, 2019	11,100,000	5.00	0.92	107.276	XB9
January 1, 2020	12,620,000	5.00	0.96	109.177	XC7
July 1, 2020	13,440,000	5.00	1.02	110.968	XD5
January 1, 2021	14,015,000	5.00	1.11	112.579	XE3
July 1, 2021	14,680,000	5.00	1.17	114.203	XF0
January 1, 2022	14,900,000	5.00	1.25	115.659	XG8
July 1, 2022	15,115,000	5.00	1.31	117.120	XH6
January 1, 2023	15,750,000	5.00	1.40	118.334	XJ2
July 1, 2023	16,170,000	5.00	1.47	119.563	XK9
January 1, 2024	16,585,000	5.00	1.59	120.371	XL7
July 1, 2024	16,745,000	5.00	1.67	121.327	XM5
January 1, 2025	16,835,000	5.00	1.77	122.033	XN3
July 1, 2025	16,730,000	5.00	1.85	122.786	XP8
January 1, 2026	16,555,000	5.00	1.97	123.100	XQ6
July 1, 2026	16,920,000	5.00	2.03	123.828	XR4
January 1, 2027	17,205,000	5.00	2.11	124.291	XS2
July 1, 2027	16,445,000	5.00	2.17*	123.720*	XT0
January 1, 2028	16,505,000	5.00	2.25*	122.963*	XU7
July 1, 2028	16,170,000	5.00	2.30*	122.492*	XV5
January 1, 2029	16,385,000	5.00	2.37*	121.837*	XW3
July 1, 2029	16,010,000	5.00	2.42*	121.372*	XX1
January 1, 2030	15,920,000	5.00	2.47*	120.909*	XY9
July 1, 2030	15,705,000	5.00	2.51*	120.540*	XZ6

\$31,385,000 5.00% Term Bonds due July 1, 2031; Yield 2.58%*; Price 119.897*; CUSIP 45204EYA0

\$31,640,000 5.00% Term Bonds due July 1, 2032; Yield 2.64%*; Price 119.350*; CUSIP 45204EYB8

\$29,180,000 5.00% Term Bonds due July 1, 2033; Yield 2.70%*; Price 118.805*; CUSIP 45204EYC6

\$26,370,000 5.00% Term Bonds due July 1, 2034; Yield 2.76%*; Price 118.263*; CUSIP 45204EYD4

\$25,930,000 5.00% Term Bonds due July 1, 2035; Yield 2.81%*; Price 117.814*; CUSIP 45204EYE2

\$23,280,000 5.00% Term Bonds due July 1, 2036; Yield 2.84%*; Price 117.545*; CUSIP 45204EYF9

\$15,035,000 5.00% Term Bonds due July 1, 2037; Yield 2.87%*; Price 117.278*; CUSIP 45204EYG7

[†] CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Series 2017 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity may be changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2017 Bonds.

* Calculated to the January 1, 2027 optional redemption date.

REGARDING THIS OFFICIAL STATEMENT

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Academy Securities, Inc., Cabrera Capital Markets, LLC, Janney Montgomery Scott LLC, Loop Capital Markets LLC and Mesirow Financial, Inc. (collectively, 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 2017 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 2017 Bonds or an offer to sell or solicitation of offers to buy, nor will there be any sale of the Series 2017 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 2017 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 2017 Bonds for sale.

In connection with this offering, the Underwriters may overallocate or effect transactions that stabilize or maintain the market prices of the Series 2017 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
General Counsel Elizabeth Fleming Weber
Controller Ximena Granda
Executive Vice President..... Richard K. Frampton
Assistant Vice President Brad R. Fletcher

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

MANAGEMENT PERSONNEL

Director..... Alec Messina
Deputy Director Donovan Griffith
Chief Legal Counsel John J. Kim
Chief Financial Officer Carol Radwine*
Finance Manager Mark Edmiston
Manager, Infrastructure Financial Assistance Section Gary Bingenheimer
Water Revolving Fund Finance Manager..... Kevin Bryant

BOND COUNSEL

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Chicago, Illinois

AUTHORITY COUNSEL

Schiff Hardin LLP
Chicago, Illinois

FINANCIAL ADVISORS

Acacia Financial Group, Inc.
Chicago, Illinois

Sycamore Advisors, LLC
Chicago, Illinois

MASTER TRUSTEE

Amalgamated Bank of Chicago
Chicago, Illinois

* Expected to depart IEPA in mid-to-late September, 2017. See “ILLINOIS ENVIRONMENTAL PROTECTION AGENCY—Management Personnel.”

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\$560,025,000
ILLINOIS FINANCE AUTHORITY
STATE OF ILLINOIS CLEAN WATER INITIATIVE REVOLVING FUND REVENUE BONDS,
SERIES 2017

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 2017 Bonds to potential investors is made only by means of this entire Official Statement.

Certain capitalized terms used in this Official Statement, unless otherwise defined in this Official Statement, have the meanings set forth in APPENDIX A — “Definitions and Summary of Certain Provisions of the Master Trust Agreement”.

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 \$560,025,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2017 (the “*Series 2017 Bonds*”).

AUTHORITY FOR THE SERIES 2017 BONDS

The Series 2017 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 August 17, 2017 (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 between the Authority and the Master Trustee and the Second Supplemental Master Trust Agreement dated as of September 1, 2016, between the Authority and the Master Trustee and as supplemented and amended by the Third Supplemental Master Trust Agreement dated as of September 1, 2017, between the Authority and the Master Trustee (the “*Third Supplemental Master Trust Agreement*”; the Master Agreement as supplemented and amended from time to time is referred to herein as the “*Master Trust Agreement*”).

The Series 2017 Bonds are the third series of bonds issued under and secured by the Master Trust Agreement and will be secured on a parity with the currently outstanding \$67,315,000 aggregate principal amount of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013, of the Authority (the “*Series 2013 Bonds*”), \$489,440,000 aggregate principal amount of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016, of the Authority (the “*Series 2016 Bonds*”), and such other Bonds or other Additional Indebtedness of the Authority as may be issued under the Master Trust Agreement in the future. After the issuance of the Series 2017 Bonds, Bonds will be outstanding under the Master Trust Agreement in the aggregate principal amount of \$1,116,780,000 consisting of the Series 2013 Bonds, the Series 2016 Bonds and the Series 2017 Bonds. The Series 2013

Bonds, the Series 2016 Bonds, the Series 2017 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 herein as “*Bonds*”. The Master Trust Agreement also permits the Authority, under certain terms provided therein, to secure by the Revenues on a parity basis other indebtedness in addition to the Bonds (the “*Additional Indebtedness*”). See APPENDIX A — “Definitions and Summary of Certain Provisions of the Master Trust Agreement — Issuance of Additional Indebtedness”.

AMENDMENTS TO MASTER TRUST AGREEMENT

The Third Supplemental Master Trust Agreement contains amendments to the Master Trust Agreement (the “*2017 Amendments*”), certain of which will become effective without Bondholder consent and two of which require Bondholder consent. The 2017 Amendments not requiring Bondholder consent (the “*No Consent Amendments*”) are being made pursuant to the provisions of the Master Trust Agreement summarized in subparagraphs (a) and (h) set forth in APPENDIX A — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT - Supplemental Master Trust Agreements Not Requiring Consent of Bondholders” and will become effective upon the issuance of the Series 2017 Bonds. The No Consent Amendments, in addition to correcting an ambiguity or formal defect, also add the language shown in the final sentence under APPENDIX A — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT – Rights Under Pledged Agreements”.

The 2017 Amendments requiring Bondholder consent are being made pursuant to the provisions of the Master Trust Agreement summarized in APPENDIX A — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT - Supplemental Master Trust Agreements Requiring Consent of Bondholders”. The first such 2017 Amendment requiring bondholder consent (the “*Fund Release Amendment*”) is set forth under the heading “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Flow of Funds” and in APPENDIX A — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT – Revenue Fund”. The Fund Release Amendment requires the Master Trustee to transfer, on the first Business Day of each month, if the aggregate amount on deposit in the Principal Subaccount and the Interest Subaccount of each of the CWSRF Revenue Account and the DWSRF Revenue Account is at least equal to the respective principal and interest requirements on the State Match CWSRF Portion, the State Match DWSRF Portion, the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds due on the next succeeding Interest Payment Date (the “*Debt Service Requirement*”), any amounts on deposit in such subaccounts in excess of the Debt Service Requirement to the appropriate subaccounts of the Equity Fund, as further described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Flow of Funds”. The other 2017 Amendment requiring Bondholder consent (the “*Equity Fund Amendment*”) is set forth under the heading SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Equity Fund of the Master Trust Agreement” and in APPENDIX A — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT – Equity Fund”. The Equity Fund Amendment permits amounts on deposit in the Equity Fund to be withdrawn from the Equity Fund and used to pay, without evidencing satisfaction of the Projected Asset Coverage Ratio after such withdrawal, expenses related to the Master Trust Agreement including, without limitation, fees and expenses of the Authority’s investment managers and advisors relating to investment of the funds held under the Master Trust Agreement, as further described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS— Equity Fund of the Master Trust Agreement”.

Holders and Beneficial Owners of the Series 2017 Bonds, by their purchase thereof, shall be deemed to have irrevocably consented to the Fund Release Amendment and the Equity Fund Amendment.

Upon the issuance of the Series 2017 Bonds, all conditions to the effectiveness of the Fund Release Amendment and the Equity Fund Amendment will be satisfied and the Master Trust Agreement will be so amended.

PURPOSE OF BONDS

The proceeds of the Series 2017 Bonds will be used to (i) 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 and (ii) pay costs of issuance of the Series 2017 Bonds, all as more fully described herein. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS

The Series 2017 Bonds, together with all principal and interest thereon and premium, if any, with respect thereto, are limited obligations of the Authority secured by the Master Trust Estate as defined and described herein. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Master Trust Estate”.

In connection with the execution and delivery of the Master Trust Agreement and the issuance of the Series 2013 Bonds, certain Agreements were assigned by IEPA to the Authority pursuant to an Assignment of Loans dated as of December 5, 2013, as supplemented and amended (the “*Original Assignment Agreement*”), and have been pledged to the Master Trustee pursuant to the Master Trust Agreement to secure payment of the Series 2013 Bonds, the Series 2016 Bonds, the Series 2017 Bonds and any Additional Indebtedness. The Original Assignment Agreement was amended and restated in connection with the issuance of the Series 2016 Bonds by an Amended and Restated Assignment of Loans dated as of September 1, 2016 from the IEPA to the Authority in order to provide for the assignment to the Authority of certain additional Agreements and the Loans made thereunder, and by a Second Amended and Restated Assignment of Loans dated as of August 17, 2017 from the IEPA to the Authority in order to provide for the removal of certain Agreements from the lien of the Master Trust Agreement, as described under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Restructuring of Loans” (the Original Assignment Agreement as so amended and restated and as hereafter supplemented, amended or restated being referred to herein as the “*Assignment Agreement*”). All of the Agreements so assigned as described above and pledged to the Master Trustee pursuant to the Master Trust Agreement as of the date of issuance of the Series 2017 Bonds (the “*Initial Pledged Agreements*”) secure payment of the Bonds and any other Additional Indebtedness. A summary of the general characteristics of the Initial Pledged Agreements is contained under the caption “PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Characteristics of Initial Pledged Agreements”. Following the issuance of the Series 2017 Bonds, additional Pledged Agreements may be (i) added to the Master Trust Estate and pledged to the payment of the Bonds, particularly in connection with the issuance of Bonds or other Additional Indebtedness, or (ii) substituted for then-existing Pledged Agreements (including the Initial Pledged Agreements). In addition, Pledged Agreements (including the Initial Pledged Agreements) may be prepaid, restructured or released from the lien of the Master Trust Agreement in accordance with the terms of the Master Trust Agreement, as described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio” and “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Restructuring of Loans” below and in APPENDIX A — “Definitions and Summary of Certain Provisions of the Master Trust Agreement—Pledged Agreements”.

The Series 2017 Bonds are not general obligations of the Authority but are payable on a parity basis with the Series 2013 Bonds, the Series 2016 Bonds and any Additional Indebtedness issued in the

future solely from all amounts payable to the Authority pursuant to the Pledged Agreements (but excluding payment of Loan Support Fees), 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 2017 Bonds are secured by the Revenues. The Series 2017 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 2017 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 IEPA.

As of June 30, 2017, IEPA had made 870 loans pursuant to the Clean Water Program, and had 509 Clean Water Program loans outstanding (approximately \$2.753 billion). As of June 30, 2017, IEPA had made 572 loans pursuant to the Drinking Water Program, and had 472 Drinking Water Program loans outstanding (approximately \$911 million). These loans have been financed by federal capitalization grants, State matching funds, loan repayments under the SRF Programs and proceeds of obligations previously issued by the Authority to leverage available loan funds. See “STATE OF ILLINOIS SRF PROGRAMS” herein. As of June 30, 2017, the Initial Pledged Agreements represented approximately 71% of the aggregate principal amount of the outstanding Clean Water Program and Drinking Water Program loans. No payment defaults have occurred under any of the Initial Pledged Agreements.

The Master Trust Agreement was executed and delivered, the Series 2013 Bonds and the Series 2016 Bonds were issued, and the Series 2017 Bonds are being issued as part of the State’s “Clean Water Initiative to Expand Funding for Wastewater and Drinking Water Projects for Illinois Communities” which, among other things, promoted the SRF Programs to potential participants.

Information concerning SRF Programs for State fiscal year 2016 are presented in APPENDIX B—“State of Illinois Environmental Protection Agency Financial Audit Fund 270 – Water Revolving Fund For The Year Ended June 30, 2016”.

LIMITED OBLIGATIONS

The Series 2017 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 2017 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 2017 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 Initial Pledged Agreements, the Participants, the Series 2017 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.

SUPPLEMENTARY DISCLOSURE INFORMATION

Prior to the delivery of this Official Statement, the Authority issued a Preliminary Official Statement related to the Series 2017 Bonds dated August 18, 2017 (the “*Preliminary Official Statement*”). This Official Statement includes the information contained in the Preliminary Official Statement, certain pricing information and certain supplementary information which became available to the Authority subsequent to the date of the Preliminary Official Statement and is contained in (i) the second full paragraph under the caption “THE SERIES 2017 BONDS—Redemption Provisions” and (ii) the fourth paragraph under the caption “ILLINOIS ENVIRONMENTAL PROTECTION AGENCY—Management Personnel.”

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 the United States Environmental Protection Agency (the “*EPA*”) for Clean Water Program Projects. See “—STATE MATCH PORTION/CLEAN WATER PROGRAM PORTIONS AND DRINKING WATER PROGRAM PORTIONS,” below. 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. See “—STATE MATCH PORTION/CLEAN WATER PROGRAM PORTIONS AND DRINKING WATER PROGRAM PORTIONS,” below. 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 (20%) State Match (as herein defined) 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 Authority first issued obligations to leverage available loan funds. As of June 30, 2017, IEPA has made 870 CWSRF Loans to Clean Water Participants totaling approximately \$4.794 billion, approximately \$2.753 billion of which are currently 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 (20%) 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 Authority first issued obligations to leverage available loan funds. As of June 30, 2017, IEPA has made 572 DWSRF Loans to Drinking Water Participants totaling approximately \$1.389 billion, approximately \$911 million of which are currently 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.

The following table presents certain historical and anticipated funding sources for the Clean Water Program and the Drinking Water Program. References to the Federal Fiscal Year in the following table and throughout this Official Statement mean the annual period beginning on October 1 of a calendar year through September 30 of the next succeeding calendar year.

**Historical and Anticipated Funding Sources
Illinois SRF Programs
As of June 30, 2017**

FEDERAL FISCAL 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 [†]
2012	63,919,000	12,783,800 [†]
2013	60,382,000	12,076,400 [†]
2014	63,411,000	12,682,200 [‡]
2015	63,087,000	12,617,400 [‡]
2016	60,428,000	12,085,600 [§]
2017	<u>59,962,000</u>	<u>11,992,400[§]</u>
Totals	\$1,764,290,865	\$352,858,173

FEDERAL FISCAL 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 [†]
2012	34,209,000	6,841,800 [†]
2013	31,786,000	6,357,200 [†]
2014	36,911,000	7,382,200 [‡]
2015	36,668,000	7,333,600 [§]
2016	34,690,000	6,938,000 [§]
2017	<u>34,393,000</u>	<u>6,878,600[§]</u>
Totals	\$694,084,400	\$138,816,880

* 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.

[†] State Match was funded from proceeds of the Series 2013 Bonds.

[‡] State Match was provided from a transfer of Loan Support Fees into the SRF Programs.

[§] State Match was funded from proceeds of the Series 2016 Bonds.

STATE MATCH PORTION/CLEAN WATER PROGRAM PORTIONS AND DRINKING WATER PROGRAM PORTIONS

The 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 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”. No portion of the proceeds of the Series 2017 Bonds is being issued to fund a State Match obligation.

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 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 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 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 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 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. 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. 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.

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 sufficient to provide for the payment of operation and maintenance expenses of the system to be improved, all annual debt service payments (including Loan Repayments) and renewal and replacement costs. In the case of a loan secured by taxes of the Participant, there must be dedicated and pledged a source of tax collections sufficient to make Loan Repayments. Prior to approval of the Loan application, the IEPA will review the proposed source of revenue or taxes to assure that it will generate funds sufficient to meet these requirements and provide a continuing source of funds 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 or taxes 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 or taxes as necessary to provide sufficient funds to meet the requirements described above.

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. It has not been necessary for IEPA to send a formal notice of delinquency to a Participant with respect to any Loan issued pursuant to an Initial Pledged Agreement since the execution and delivery of the Master Trust Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Flow of Funds".

A summary of the general characteristics of the Initial Pledged Agreements is set forth under the caption "PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Characteristics of Initial Pledged Agreements".

LOAN PAYMENTS; LOAN SUPPORT FEES NOT PLEDGED TO 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 administrative expenses, which IEPA expects to continue. The State Match Portion for each Program has been funded from a variety of sources, including appropriations from the General Revenue Fund of the State, proceeds of the sale of State general obligation bonds, Loan Support Fees and the proceeds of obligations previously issued by the Authority. 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".

Generally, the repayment period for a Loan cannot exceed the lesser of (i) 20 years beyond the date as of which the financed project began operation (the "*Initiation of Operation Date*"), (ii) 20 years beyond the initiation of the loan repayment period (the "*Initiation of Loan Repayment Date*") or (iii) the projected useful life of the project financed with proceeds of the Loan. However, for local governmental units qualifying for the Small Community Rate or the Hardship Rate (each as described below), the 20 year periods from either the Initiation of Operation Date or the Initiation of Loan Repayment Date may be extended to 30 years. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Pledged Agreements."

IEPA assigns to each Loan a fixed rate of interest determined at the time a Loan is made to a Participant equal to the Base Loan Rate, the Small Community Rate or the Hardship Rate (each as hereinafter defined and, collectively, the “*Fixed Loan Rates*”), each subject to the Environmental Impact Discount (as defined and described below). If the Participant does not qualify for a Small Community Rate or the Hardship Rate, the applicable Fixed Loan Rate is the rate computed annually using the mean interest rate of the 20-Bond General Obligation Index, as published weekly by *The Bond Buyer*, from July 1 to June 30 of the preceding State fiscal year rounded to the nearest one hundredth of a percent and multiplied by 50 percent (the “*Base Loan Rate*”). There is no statutory maximum and no statutory minimum Base Loan Rate. The Base Loan Rate presently is 1.76% for each of the Clean Water Program and the Drinking Water Program. See “PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Characteristics of Initial Pledged Agreements.”

Amendments to the administrative rules governing the SRF Programs that became effective July 1, 2017 (the “*Rule Amendments*”) provide for interest rates lower than the Base Loan Rate for Loans made to certain small or economically challenged local governmental units. Participants in the Clean Water Program and the Drinking Water Program with a service population less than 25,000 that also have (i) a median household income less than the statewide average, (ii) an unemployment rate greater than the statewide average, or (iii) an annual user charge, based upon the average monthly bill of the Participant’s residential customers, that is greater than 1.0% of the median household income of the Participant’s service population, qualify for a fixed loan rate equal to 75% of the Base Loan Rate described above (the “*Small Community Rate*”). Participants in the Clean Water Program and the Drinking Water Program with a service population less than 10,000 that also have (i) a median household income below 70% of the statewide average, (ii) an unemployment rate at least 3.0% greater than the statewide average, or (iii) an annual user charge, based upon the average monthly bill of the Participant’s residential customers, that is greater than 1.5% of the median household income of the Participant’s service population, qualify for a fixed loan rate of 1.0% (the “*Hardship Rate*”).

Further, Participants may receive a 0.2% discount from the applicable Fixed Loan Rate (the “*Environmental Impact Discount*”), where at least 50% of the eligible project costs fund (i) new projects for the collection or treatment of unsewered communities, (ii) projects involving nutrient removal or nutrient loss reduction, (iii) green infrastructure projects, (iv) projects lowering water demand, (v) projects reducing energy demands at a wastewater treatment facility or a public water supply or (vi) projects involving the removal or replacement of lead in water mains or service lines.

There are a number of Participants and potential future participants in the SRF Programs with service populations small enough to qualify for the Small Community Rate or the Hardship Rate, as previously described. The Authority and the IEPA can give no assurance as to how many Loans financed under Pledged Agreements will be assigned the Small Community Rate or the Hardship Rate. Pledged Agreements and Loans financed thereunder must conform to the Master Trust Agreement provisions described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Pledged Agreements” and “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio” and in APPENDIX A — “Definitions and Summary of Certain Provisions of the Master Trust Agreement—Pledged Agreements”.

The Fixed Loan Rate is comprised of an interest portion and a loan support portion (the “*Loan Support Fees*”). Under the State Act, the Loan Support Fees can be no higher than 50 percent of the applicable Fixed Loan Rate. The Loan Support Fees for all outstanding Pledged Agreements are currently equal to 50 percent, the maximum rate, of the applicable Fixed Loan Rate established for such Pledged Agreements.

Loan Support Fees are not pledged as security for the 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.

RESTRUCTURING OF LOANS

The Rule Amendments authorizing the Small Community Rate, the Hardship Rate and the Environmental Impact Discount also authorize the restructuring of Loan Agreements under the SRF Programs upon the written request of a Participant satisfying the requirements of the applicable rule. The IEPA will approve restructuring based on financial and economic considerations that may include, but are not limited to, (i) good cause, (ii) circumstances beyond the control of the Participant applying for restructuring and (iii) the financial hardship the existing Loan imposes on the Participant. Restructured Loan Agreements will bear a fixed loan rate equal to the lesser of the applicable Fixed Loan Rate in the original Loan Agreement or the current applicable Fixed Loan Rate determined as described above under “—Loan Payments; Loan Support Fees Not Pledged to Bonds”. Except in the case of local government units qualifying for the Small Community Rate or the Hardship Rate, the loan repayment period for a restructured loan cannot exceed the lesser of (i) 20 years beyond the Initiation of Operation Date, (ii) 20 years beyond the Initiation of Loan Repayment Date established by the original Loan Agreement, or (iii) the projected useful life of the project financed with proceeds of the original Loan. However, for local governmental units qualifying for the Small Community Rate or Hardship Rate, the 20 year periods from either the Initiation of Operation Date or the Initiation of Loan Repayment Date may be extended to 30 years.

The IEPA has released certain Agreements and the Loans issued and outstanding thereunder, in the approximate principal amount of \$37.5 million, from the lien of the Master Trust Agreement due to the anticipated participation by the applicable Participants in the restructuring program described herein with respect to all or a portion of the Loans made to them. Such Agreements were released from the lien of the Master Trust Agreement pursuant to the procedures described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—“Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio”.

The IEPA can give no assurance as to the number of current or future Participants that will apply for restructuring pursuant to the authorization described herein, however, an application for restructuring does not guarantee that a Participant’s Loan will be restructured. The IEPA has announced a policy for authorizing Loan restructuring which provides that Loan restructuring will only be approved for Participants that can demonstrate that their existing Loan imposes a financial hardship jeopardizing the Participant’s ability to repay the Loan on a timely basis. The Loans of Participants experiencing sufficient financial distress to warrant Loan restructuring under this policy may, but are not required to be, removed from the Trust Estate securing the Bonds as described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—“Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio”. In addition, the Master Trust Agreement provides that Pledged Agreements may not be amended, changed, modified, altered or terminated without the written consent of the Authority while the Bonds are outstanding. The Master Trust Agreement provides that the Authority will provide its consent to an amendment, change, modification, alteration or termination of a Pledged Agreement only if the Master Trustee has received the evidence required under the Master Trust Agreement that, taking into account the contemplated amendments, changes, modifications, alterations or terminations of such Pledged Agreements: (i) the Projected Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20:1.00 and (ii) the resulting Revenues available for the payment of the principal of and interest on the Bonds 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. See APPENDIX A — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT – Rights Under Pledged Agreements”.

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 by 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 2017 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 2017 Bonds.

PLAN OF FINANCE

GENERAL

The proceeds of the Series 2017 Bonds shall be used to (i) fund loans made by the IEPA to units of local government in the State to finance eligible wastewater treatment and sanitary sewerage facilities and drinking water facilities and (ii) pay for costs associated with the issuance of the Series 2017 Bonds. For further detail, see “SOURCES AND USES OF FUNDS”.

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 2017 Bonds (subject to adjustment as set forth in an officer's certificate):

SOURCES OF FUNDS

Par Amount of Series 2017 Bonds	\$560,025,000
Original Issue Premium	<u>104,446,981</u>
Total	\$664,471,981

USES OF FUNDS

Loan Origination Fund	\$661,355,000
Costs of Issuance (including Underwriters' Discount)	<u>3,116,981</u>
Total	\$664,471,981

PROJECTED CASH FLOW AND DEBT SERVICE TABLE

PROJECTED DEBT SERVICE COVERAGE FOR THE BONDS

The table below entitled "PROJECTED DEBT SERVICE COVERAGE FOR THE BONDS" sets forth the projected cash flow on the Initial Pledged Agreements. A summary of the characteristics of the Initial Pledged Agreements is set forth below under "—Characteristics of Initial Pledged Agreements". Following the issuance of the Series 2017 Bonds, additional Pledged Agreements may be (i) added to the Master Trust Estate and pledged to the payment of the Bonds, particularly in connection with the issuance of Bonds or other Additional Indebtedness, or (ii) substituted for then-existing Pledged Agreements. In addition, Pledged Agreements may be prepaid, restructured or released from the lien of the Master Trust Agreement in accordance with the terms of the Master Trust Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio" and APPENDIX A — "Definitions and Summary of Certain Provisions of the Master Trust Agreement—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 and the Authority assume no additional Pledged Agreements will be added to the Master Trust Estate and no substitutions of Pledged Agreements for the Initial Pledged Agreements will be made, and further assumes no future prepayment or restructuring of or 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 or the Authority that (i) no additional Pledged Agreements will be pledged to the payment of the Bonds in addition to, or in replacement of, the Initial Pledged Agreements or (ii) 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 Initial 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 the Initial Pledged Agreements and investment earnings) and debt service on the 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 Initial 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 (i) the Series 2013 Bonds, the Series 2016 Bonds and the Series 2017 Bonds are the only Bonds issued under and secured by the Master Trust Agreement and (ii) the Initial Pledged Agreements are the only Pledged Agreements pledged to the payment of the Bonds. Columns in such table may not sum due to rounding.

The Authority and IEPA anticipate that principal and interest payments on the Initial Pledged Agreements will be sufficient to pay the principal of and interest on the Bonds. These expectations are subject to and based upon, among other things, interest rates and amounts payable under the Initial Pledged Agreements, repayment realization on the Initial Pledged Agreements at certain projected times and in certain amounts and certain investment income.

While satisfying certain Projected Debt Service Coverage Ratio and Projected Asset Coverage Ratio tests, respectively, 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.

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PROJECTED DEBT SERVICE COVERAGE FOR THE BONDS

PAYMENT DATE	LOAN REPAYMENTS*	TOTAL SERIES 2013 BONDS DEBT SERVICE	TOTAL SERIES 2016 BONDS DEBT SERVICE	SERIES 2017 BONDS PRINCIPAL†	SERIES 2017 BONDS INTEREST	TOTAL SERIES 2017 BONDS DEBT SERVICE	TOTAL BONDS DEBT SERVICE	PROJECTED DEBT SERVICE COVERAGE RATIO
1/1/18	\$83,645,361	\$11,204,175	\$24,387,700		\$ 8,478,156	\$ 8,478,156	\$44,070,031	1.90x
7/1/18	89,259,440	10,565,675	25,110,200	\$ 8,700,000	14,000,625	22,700,625	58,376,500	1.53
1/1/19	90,660,859	9,467,175	25,183,000	10,000,000	13,783,125	23,783,125	58,433,300	1.55
7/1/19	91,830,052	8,580,425	25,278,700	11,100,000	13,533,125	24,633,125	58,492,250	1.57
1/1/20	92,751,364	7,875,675	25,077,450	12,620,000	13,255,625	25,875,625	58,828,750	1.58
7/1/20	92,527,415	7,003,800	24,916,950	13,440,000	12,940,125	26,380,125	58,300,875	1.59
1/1/21	91,594,755	5,224,300	24,831,075	14,015,000	12,604,125	26,619,125	56,674,500	1.62
7/1/21	90,521,470	3,797,175	24,702,825	14,680,000	12,253,750	26,933,750	55,433,750	1.63
1/1/22	89,427,064	3,625,925	24,208,075	14,900,000	11,886,750	26,786,750	54,620,750	1.64
7/1/22	87,944,957	3,448,625	23,575,825	15,115,000	11,514,250	26,629,250	53,653,700	1.64
1/1/23	87,803,738	2,697,250	23,479,575	15,750,000	11,136,375	26,886,375	53,063,200	1.65
7/1/23	87,478,386	1,952,625	23,374,775	16,170,000	10,742,625	26,912,625	52,240,025	1.67
1/1/24	86,826,098		24,026,025	16,585,000	10,338,375	26,923,375	50,949,400	1.70
7/1/24	85,909,163		23,441,025	16,745,000	9,923,750	26,668,750	50,109,775	1.71
1/1/25	84,072,643		22,665,025	16,835,000	9,505,125	26,340,125	49,005,150	1.72
7/1/25	82,861,974		22,050,325	16,730,000	9,084,250	25,814,250	47,864,575	1.73
1/1/26	80,193,370		21,141,325	16,555,000	8,666,000	25,221,000	46,362,325	1.73
7/1/26	79,768,359		20,750,950	16,920,000	8,252,125	25,172,125	45,923,075	1.74
1/1/27	79,265,473		20,413,650	17,205,000	7,829,125	25,034,125	45,447,775	1.74
7/1/27	76,354,073		19,228,900	16,445,000	7,399,000	23,844,000	43,072,900	1.77
1/1/28	75,235,299		18,654,025	16,505,000	6,987,875	23,492,875	42,146,900	1.79
7/1/28	72,292,506		17,609,275	16,170,000	6,575,250	22,745,250	40,354,525	1.79
1/1/29	71,552,609		17,166,525	16,385,000	6,171,000	22,556,000	39,722,525	1.80
7/1/29	67,646,849		15,976,150	16,010,000	5,761,375	21,771,375	37,747,525	1.79
1/1/30	66,505,773		15,386,900	15,920,000	5,361,125	21,281,125	36,668,025	1.81
7/1/30	63,858,739		14,499,275	15,705,000	4,963,125	20,668,125	35,167,400	1.82
1/1/31	62,060,434		13,871,575	15,545,000	4,570,500	20,115,500	33,987,075	1.83
7/1/31	61,279,418		13,512,825	15,840,000	4,181,875	20,021,875	33,534,700	1.83
1/1/32	59,741,856		12,940,700	15,895,000	3,785,875	19,680,875	32,621,575	1.83
7/1/32	58,013,385		12,332,600	15,745,000	3,388,500	19,133,500	31,466,100	1.84
1/1/33	53,147,038		10,997,100	15,075,000	2,994,875	18,069,875	29,066,975	1.83
7/1/33	48,292,703		9,513,900	14,105,000	2,618,000	16,723,000	26,236,900	1.84
1/1/34	44,632,259		8,456,400	13,650,000	2,265,375	15,915,375	24,371,775	1.83
7/1/34	40,419,783		7,186,600	12,720,000	1,924,125	14,644,125	21,830,725	1.85
1/1/35	40,949,276		7,244,100	13,170,000	1,606,125	14,776,125	22,020,225	1.86
7/1/35	37,301,625		6,117,800	12,760,000	1,276,875	14,036,875	20,154,675	1.85
1/1/36	32,010,975		4,811,300	11,855,000	957,875	12,812,875	17,624,175	1.82
7/1/36	29,325,776		4,263,600	11,425,000	661,500	12,086,500	16,350,100	1.79
1/1/37	16,241,106			8,065,000	375,875	8,440,875	8,440,875	1.92
7/1/37	13,970,210			6,970,000	174,250	7,144,250	7,144,250	1.96

* Loan Repayments on the Initial Pledged Agreements. Loan Repayments exclude the Loan Support Fees, a component of the Fixed Loan Rate in an amount not exceeding 50% of the Fixed Loan Rate, which are not pledged to the payment of the Bonds. 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.

† Includes principal paid at maturity or upon mandatory sinking fund redemption. See “THE SERIES 2017 BONDS—Redemption Provisions – (c) *Mandatory Sinking Fund Redemption*”.

CHARACTERISTICS OF INITIAL PLEDGED AGREEMENTS

The general terms of the Pledged Agreements are more fully described under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Pledged Agreements” and “—Security for the Pledged Agreements”. The Initial Pledged Agreements represent the Pledged Agreements to be pledged as of the date of issuance of the Series 2017 Bonds to secure payment of the Bonds. As of June 30, 2017, the Initial Pledged Agreements having outstanding balances or remaining future disbursements consisted of 745 Loans with an aggregate outstanding principal amount of \$2,562,344,699, generally described as follows:

	LOANS OUTSTANDING UNDER INITIAL PLEDGED AGREEMENTS
Number of Discrete Borrowers	402
Average Outstanding Balance	\$3,439,389
Interest Rate Range*	1.25% to 2.91%
Interest Rate Range (Net of Loan Support Fees)	0.63% to 1.46%
Loan Maturity Range	1 month to 22 years
Security for Loans (calculated on aggregate principal amount of Loans outstanding):	
Water/Wastewater System Revenues	72.3%
General Obligation Debt (Property Tax)	24.7%
Other Sources	3.0%

A discrete borrower may be a Participant with respect to a number of Agreements. The ten borrowers having the largest aggregate outstanding balances on Loans made under the Agreements constituting Initial Pledged Agreements comprise approximately 54.1% of the total outstanding balance of all Loans made under Agreements that are part of the Initial Pledged Agreements, such borrowers being further described as follows:

BORROWER	LOAN BALANCE	LOAN BALANCE (% OF TOTAL)	SECURITY
MWRD	\$ 657,783,400	25.7%	Property tax, system revenues, user charges ⁽¹⁾
Chicago	304,086,066	11.9%	System revenues
Fox Metro Water Reclamation District	77,662,194	3.0%	System revenues
Kankakee River Metropolitan Agency	62,148,749	2.4%	System revenues
Belleville	57,780,894	2.3%	System revenues
Joliet	54,434,155	2.1%	System revenues
Sangamon County Water Reclamation District	47,984,461	1.9%	System revenues
Urbana and Champaign Sanitary District	43,184,477	1.7%	System revenues
Rock Island	41,969,777	1.6%	System revenues
Evanston	40,233,236	1.6%	System revenues
TOTAL	\$1,387,267,409	54.1%	

(1) Consists of \$629,729,570 of Loans secured by property taxes, \$25,215,100 secured by system revenues and \$2,838,730 secured by user charges and property taxes.

On the date of issuance of the Series 2017 Bonds, the Metropolitan Water Reclamation District of Greater Chicago (“MWRD”) will be the only Participant to have Loans disbursed under Initial Pledged

* Includes Loan Support Fee component of interest rate, which is not pledged to the payment of the Bonds.

Agreements having an outstanding principal amount exceeding 20% of the aggregate outstanding principal amount of all Loans disbursed under the Initial Pledged Agreements. See “THE PARTICIPANTS” and “CONTINUING DISCLOSURE.” As demonstrated in the table above, the obligations of MWRD to IEPA under its Initial Pledged Agreements are primarily general obligations secured by property taxes levied by MWRD.

Certain proceeds of the Series 2017 Bonds will be applied to the disbursement of Loans. See “SOURCES AND USES OF FUNDS”. Such Loans may, but are not required to, be assigned to the Authority and pledged to the payment of the Series 2013 Bonds, the Series 2016 Bonds, the Series 2017 Bonds and Additional Indebtedness.

THE SERIES 2017 BONDS

GENERAL

The Series 2017 Bonds will be issued as fully registered bonds in book-entry form in the denominations of \$5,000 or any integral multiple thereof (the “*Authorized Denominations*”). See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM” herein. The Series 2017 Bonds will be dated the date of delivery. The Series 2017 Bonds will mature on the dates and will bear interest at the interest rates per annum set forth on the inside cover hereof. Each Series 2017 Bond shall bear interest from the date of delivery of the Series 2017 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 January 1, 2018 (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 Series 2017 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 2017 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.

The Series 2013 Bonds were and the Series 2016 Bonds remain subject to the TIPRA requirements described above. No redemptions were required with respect to the Series 2013 Bonds, as 30% of the net proceeds of the Series 2013 Bonds were expended to fund loans within the one-year period beginning on their date of issue and 95% of the net proceeds of the Series 2013 Bonds were expended to fund loans within the three-year period beginning on their date of issue. No redemptions are expected to be required with respect to the Series 2016 Bonds, as 30% of the net proceeds of the Series 2016 Bonds were expended to fund loans within the one-year period beginning on their date of issue and IEPA expects that 95% of the net proceeds of the Series 2016 Bonds will be expended to fund loans by October 31, 2017, such date being within the three-year period beginning on the date of issue of the Series 2016 Bonds. As of August 25, 2017, 92.32% of the net proceeds of the Series 2016 Bonds have been expended to fund loans.

(a) *Extraordinary Mandatory Redemption.* The following extraordinary mandatory redemption provisions implement the TIPRA requirements for the Series 2017 Bonds:

One-Year Extraordinary Mandatory Redemption. The Series 2017 Bonds maturing on and after January 1, 2019 are subject to extraordinary mandatory redemption prior to their scheduled maturities, on December 3, 2018 (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 2017 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2017 Bonds so redeemed, plus accrued interest to the One Year Extraordinary Mandatory Redemption Date.

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MATURITY DATE	INTEREST RATE	CUSIP BASE: 45204E	REDEMPTION PRICE
January 1, 2019	5.00%	XA1	102.325%
July 1, 2019	5.00	XB9	104.391
January 1, 2020	5.00	XC7	106.406
July 1, 2020	5.00	XD5	108.336
January 1, 2021	5.00	XE3	110.126
July 1, 2021	5.00	XF0	111.890
January 1, 2022	5.00	XG8	113.512
July 1, 2022	5.00	XH6	115.112
January 1, 2023	5.00	XJ2	116.503
July 1, 2023	5.00	XK9	117.882
January 1, 2024	5.00	XL7	118.901
July 1, 2024	5.00	XM5	120.016
January 1, 2025	5.00	XN3	120.904
July 1, 2025	5.00	XP8	121.811
January 1, 2026	5.00	XQ6	122.322
July 1, 2026	5.00	XR4	123.176
January 1, 2027	5.00	XS2	123.785
July 1, 2027	5.00	XT0	123.280
January 1, 2028	5.00	XU7	122.610
July 1, 2028	5.00	XV5	122.194
January 1, 2029	5.00	XW3	121.614
July 1, 2029	5.00	XX1	121.202
January 1, 2030	5.00	XY9	120.790
July 1, 2030	5.00	XZ6	120.463
July 1, 2031	5.00	YA0	119.892
July 1, 2032	5.00	YB8	119.405
July 1, 2033	5.00	YC6	118.922
July 1, 2034	5.00	YD4	118.439
July 1, 2035	5.00	YE2	118.040
July 1, 2036	5.00	YF9	117.801
July 1, 2037	5.00	YG7	117.562

“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 2017 Bonds and deposited into the 2017 Subaccounts of the Loan Origination Fund) less the aggregate amount withdrawn from the 2017 Subaccounts of the Loan Origination Fund by September 12, 2018.

Three-Year Extraordinary Mandatory Redemption. The Series 2017 Bonds maturing on and after January 1, 2021 are subject to extraordinary mandatory redemption prior to their scheduled maturities, on December 1, 2020 (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 2017 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2017 Bonds so redeemed, plus accrued interest to the Three Year Extraordinary Mandatory Redemption Date.

MATURITY DATE	INTEREST RATE	CUSIP BASE: 45204E	REDEMPTION PRICE
January 1, 2021	5.00%	XE3	102.327%
July 1, 2021	5.00	XF0	104.263
January 1, 2022	5.00	XG8	106.101
July 1, 2022	5.00	XH6	107.877
January 1, 2023	5.00	XJ2	109.512
July 1, 2023	5.00	XK9	111.092
January 1, 2024	5.00	XL7	112.423
July 1, 2024	5.00	XM5	113.765
January 1, 2025	5.00	XN3	114.921
July 1, 2025	5.00	XP8	116.055
January 1, 2026	5.00	XQ6	116.878
July 1, 2026	5.00	XR4	117.912
January 1, 2027	5.00	XS2	118.744
July 1, 2027	5.00	XT0	118.365
January 1, 2028	5.00	XU7	117.862
July 1, 2028	5.00	XV5	117.549
January 1, 2029	5.00	XW3	117.111
July 1, 2029	5.00	XX1	116.800
January 1, 2030	5.00	XY9	116.491
July 1, 2030	5.00	XZ6	116.243
July 1, 2031	5.00	YA0	115.812
July 1, 2032	5.00	YB8	115.444
July 1, 2033	5.00	YC6	115.077
July 1, 2034	5.00	YD4	114.711
July 1, 2035	5.00	YE2	114.408
July 1, 2036	5.00	YF9	114.227
July 1, 2037	5.00	YG7	114.045

“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 2017 Bonds and deposited into the 2017 Subaccounts of the Loan Origination Fund), less the aggregate amount withdrawn from the 2017 Subaccounts of the Loan Origination Fund by September 12, 2020.

The Series 2017 Bonds will not be subject to further extraordinary mandatory redemption following the Three-Year Extraordinary Mandatory Redemption Date.

The foregoing notwithstanding, the Series 2017 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 2017 Bonds from gross income for federal income tax purposes.

For purposes of the One-Year and Three-Year Extraordinary Mandatory Redemption of Series 2017 Bonds, the Series 2017 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 2017 Bonds in inverse order of maturity. The term “Pro-Rata Basis” means that the principal amount of Series 2017 Bonds of a particular maturity shall be determined by multiplying the applicable Computation Amount by the ratio which the principal amount of Series 2017 Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2017 Bonds then outstanding and subject to redemption.

The Redemption Price with respect to the extraordinary mandatory redemption of any Series 2017 Bond required as described above 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) *Optional Redemption.* The Series 2017 Bonds maturing on or after July 1, 2027 are subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part, in an Authorized Denomination), in such principal amounts and from such maturities as the Authority shall determine and within any maturity by lot, on any date on or after January 1, 2027, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

(c) *Mandatory Sinking Fund Redemption.* The Series 2017 Bonds maturing on July 1 of each of the years 2031 through 2037, are subject to mandatory redemption in part and by lot, at a Redemption Price equal to the principal amount thereof, on the January 1 next preceding the maturity date of such Series 2017 Bonds in the amounts set forth below by application of a sinking fund installment for each such maturity:

SERIES 2017 BONDS MATURING JULY 1, 2031

Redemption Date	Principal Amount
January 1, 2031	\$15,545,000
July 1, 2031 (maturity)	15,840,000

SERIES 2017 BONDS MATURING JULY 1, 2032

Redemption Date	Principal Amount
January 1, 2032	\$15,895,000
July 1, 2032 (maturity)	15,745,000

SERIES 2017 BONDS MATURING JULY 1, 2033

Redemption Date	Principal Amount
January 1, 2033	\$15,075,000
July 1, 2033 (maturity)	14,105,000

SERIES 2017 BONDS MATURING JULY 1, 2034

Redemption Date	Principal Amount
January 1, 2034	\$13,650,000
July 1, 2034 (maturity)	12,720,000

SERIES 2017 BONDS MATURING JULY 1, 2035

Redemption Date	Principal Amount
January 1, 2035	\$13,170,000
July 1, 2035 (maturity)	12,760,000

SERIES 2017 BONDS MATURING JULY 1, 2036

Redemption Date	Principal Amount
January 1, 2036	\$11,855,000
July 1, 2036 (maturity)	11,425,000

SERIES 2017 BONDS MATURING JULY 1, 2037

Redemption Date	Principal Amount
January 1, 2037	\$8,065,000
July 1, 2037 (maturity)	6,970,000

At its option, to be exercised on or before the 45th day next preceding any mandatory sinking fund redemption date for the Series 2017 Bonds, the Authority may (i) purchase or direct the Master Trustee to purchase, with available funds including, but not limited to, funds allocable to the Sinking Fund Installment for such Series 2017 Bonds within the Bond Fund and deliver or cause to be delivered to the Master Trustee for cancellation, such Series 2017 Bonds or portions thereof in Authorized Denominations or (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for such Series 2017 Bonds or portions thereof in Authorized Denominations, which prior to said date have been redeemed (otherwise than through the operation of such mandatory sinking fund redemption) and canceled by the Master Trustee and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each such Series 2017 Bond or portion thereof subject to mandatory sinking fund redemption so delivered or previously redeemed shall be credited against future mandatory sinking fund redemption obligations on Series 2017 Bonds in such order as the Authority shall designate, or if no such designation is made, in chronological order, the principal amount of such Series 2017 Bonds to be redeemed by operation of such mandatory redemption to be accordingly reduced.

(d) *Selection of Series 2017 Bonds.* If less than all of the Series 2017 Bonds of like maturity are to be redeemed, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Authority (except in the case of mandatory redemption pursuant to Sinking Fund Installments as described in paragraph (c), above), in the principal amount designated to the Master Trustee by the Authority, or otherwise as required by the Third Supplemental Trust Agreement or other applicable provisions of the Master Trust Agreement. In the case of the redemption of less than all of the Series 2017 Bonds of a single maturity, such redemption shall be by lot in such manner as the Master Trustee may determine among such Series 2017 Bonds. In selecting Series 2017 Bonds for redemption,

the Master Trustee shall treat each such Series 2017 Bond as representing that number of Series 2017 Bonds which is obtained by dividing the principal amount of such Series 2017 Bond by the minimum Authorized 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.

(e) *Notice of Redemption.* When any Series 2017 Bonds, or portions thereof, are to be redeemed, the Master Trustee shall give notice of the redemption of the Series 2017 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 2017 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 2017 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 2017 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 2017 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.

Notwithstanding the preceding paragraph, the Authority will not redeem, purchase or direct the purchase or redemption by the Master Trustee of any Series 2017 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-PRESENTMENT OF SERIES 2017 BONDS

In the event any Series 2017 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 Series 2017 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 BONDS

PLEDGE OF REVENUES BY THE AUTHORITY

The Series 2017 Bonds, together with all principal and interest thereon and premium, if any, with respect thereto, are limited obligations of the Authority secured on a parity basis with the Series 2013 Bonds, the Series 2016 Bonds and any Additional Indebtedness issued in the future 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 2017 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 2017 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 2017 Bonds. The Authority does not have the power to levy taxes for any purposes whatsoever.

NON-IMPAIRMENT

Pursuant to Section 801-50 of the Authority Act, the State pledges and agrees with the holders of the Series 2017 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 or in any way impair the rights or remedies of the holders of the Series 2017 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 an 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 final maturity of each Loan is not later than the projected useful life of the Project financed with the proceeds of the Loan and, further, is not later than 20 years from the earlier of the Initiation of Operation Date or the Initiation of Loan Repayment Date, except with respect to Loans for local government units which qualify for the Small Community Rate or the Hardship Rate, in which case such periods may be extended to 30 years from the earlier of such dates. See “STATE OF ILLINOIS SRF PROGRAMS—Loan Payments; Loan Support Fees Not Pledged To Bonds” and “STATE OF ILLINOIS SRF PROGRAMS—Restructuring of Loans” herein. Each Agreement permits prepayment of all or a portion of the balance of the Loan, at any time, without premium. The Agreements may be restructured upon satisfaction of certain criteria. “STATE OF ILLINOIS SRF PROGRAMS—Restructuring of Loans” herein. The Agreements may be withdrawn and released from the pledge upon the satisfaction of certain tests. See “SECURITY AND SOURCE OF PAYMENT FOR THE 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.

The general characteristics of the Initial Pledged Agreements to be pledged as of the date of issuance of the Series 2017 Bonds to secure payment of the Bonds is contained under the caption “PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Characteristics of Initial Pledged Agreements”. Each of the Initial Pledged Agreements have been assigned to the Authority and pledged under the Master Trust Agreement to secure payment of the Bonds.

The Master Trustee is entitled to receive all principal and interest payments due and owing on the Pledged Agreements pursuant to the terms of the Master Trust Agreement and the Assignment Agreement. As of June 30, 2017, the aggregate outstanding principal amount of the Initial Pledged Agreements was \$2,562,344,699.

Following the issuance of the Series 2017 Bonds, additional Pledged Agreements may, but are not required to, be pledged to the payment of the Bonds, including in connection with the issuance of Bonds or other Additional Indebtedness. Also, additional Pledged Agreements may be substituted for then-existing Pledged Agreements (including the Initial Pledged Agreements), and Pledged Agreements (including the Initial Pledged Agreements) may be prepaid, restructured or released from the lien of the Master Trust Agreement in accordance with the terms of the Master Trust Agreement, as described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS—Release and Substitution of Pledged Agreements; Projected Asset Coverage Ratio” below and in APPENDIX A — “Definitions and Summary of Certain Provisions of the Master Trust Agreement—Pledged Agreements”.

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 under the caption “PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Characteristics of Initial Pledged Agreements”, as of June 30, 2017, 72.3% of the aggregate principal amount of the Initial Pledged Agreements having an outstanding balance are secured by revenues of the water and/or wastewater system of the related Participant, 24.7% of the aggregate principal amount are secured by the general obligation of the related Participant, and 3.0% of the aggregate principal amount are secured by other revenue sources of the related Participant.

IEPA further has a separate payment intercept authority pursuant to Section 10.05 of the State Comptroller Act (15 ILCS 405) which it may use, in its discretion, to secure the repayment obligations under a Pledged Agreement of a Participant. Additionally, IEPA may require a separate reserve for any subordinate revenue loans to a Participant.

RELIANCE ON PARTICIPANTS

The ability of the Authority to pay debt service on the 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 Initial 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 the applicant (i) 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 an Initial Pledged Agreement. However, in the event of default, each 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 Bonds and the performance and observance of all covenants pursuant to the Master Trust Agreement, the Authority has granted a security interest in the Master Trust Estate to the Master Trustee.

The Master Trust Estate consists of:

a. All 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);

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 Bonds.

INVESTMENT OF FUNDS

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

ADDITIONAL BONDS AND SUBORDINATE INDEBTEDNESS

The Authority may not incur Additional Indebtedness on a parity with the Series 2013 Bonds, the Series 2016 Bonds and the Series 2017 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 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.

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 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 Memorandum of Agreement between the Authority and IEPA dated as of November 1, 2013, as amended by the First Amendment to Memorandum of Agreement dated as of June 30, 2014, the Second Amendment to Memorandum of Agreement dated as of September 1, 2016, the Third Amendment to Memorandum of Agreement dated as of April 1, 2017, and the Fourth Amendment to Memorandum of Agreement dated as of September 1, 2017 and as the same may be hereafter supplemented and amended (the “MOA”); *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. See “MEMORANDUM OF AGREEMENT”.

As described in “APPENDIX A—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT,” the Master Trust Agreement provides that the holders of a majority in aggregate principal amount of Bonds then outstanding have the right to consent to and approve the execution by the Authority and the Master Trustee of Supplemental Master Trust Agreements amending any of the terms or provisions of the Master Trust Agreement subject to certain limitations. The Third Supplemental Master Trust Agreement contains the Equity Fund Amendment. The Bondholders and Beneficial Owners of the Series 2017 Bonds, by their purchase thereof, shall be deemed to have irrevocably consented to the Equity Fund Amendment. Upon the issuance of the Series 2017 Bonds, all conditions to the effectiveness of the Equity Fund Amendment will have been satisfied and the Equity Fund Amendment will be effective. From and after the issuance of the Series 2017 Bonds, the provisions of the immediately preceding paragraph shall read as follows:

Amounts on deposit in the Equity Fund may be withdrawn from the Equity Fund and be used to pay (i) fees and expenses of the Master Trustee, (ii) expenses related to the Master Trust Agreement including, without limitation, fees and expenses of the Authority's investment managers and advisors relating to investment of the funds held under the Master Trust Agreement and (iii) the annual management fee of the Authority set forth in the Memorandum of Agreement between the Authority and IEPA dated as of November 1, 2013, as amended by the First Amendment to Memorandum of Agreement dated as of June 30, 2014, the Second Amendment to Memorandum of Agreement dated as of September 1, 2016, the Third Amendment to Memorandum of Agreement dated as of April 1, 2017, and the Fourth Amendment to Memorandum of Agreement dated as of September 1, 2017 and as the same may be hereafter supplemented and amended (the "MOA"). 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, amounts on deposit in the Equity Fund may also be used to 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. See "MEMORANDUM OF AGREEMENT".

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.

As described in "APPENDIX A—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT," the Master Trust Agreement provides that the holders of a majority in aggregate principal amount of Bonds then outstanding have the right to consent to and approve the execution by the Authority and the Master Trustee of Supplemental Master Trust Agreements amending any of the terms or provisions of the Master Trust Agreement subject to certain limitations. The Third Supplemental Master Trust Agreement contains the Fund Release Amendment. The Bondholders and Beneficial Owners of the Series 2017 Bonds, by their purchase thereof, shall be deemed to have irrevocably consented to the Fund Release Amendment. Upon the issuance of the Series 2017 Bonds, all conditions to the effectiveness of the Fund Release Amendment will have been satisfied and the Fund Release Amendment will be effective. From and after the issuance of the Series 2017 Bonds, the provisions of paragraph 3, above, shall read as follows:

3. On the first Business Day of each month, if the aggregate amount on deposit in the Principal Subaccount and the Interest Subaccount of each of the CWSRF Revenue Account and the DWSRF Revenue Account is at least equal to the Debt Service Requirement, then the Master Trustee shall transfer any amounts on deposit in such subaccounts in excess of the Debt Service Requirement to the appropriate subaccounts of the Equity 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.

In addition to the uses described above, amounts on deposit in the Equity Fund may be withdrawn from the Equity Fund to pay certain fees and expenses as described under “—Equity Fund of the Master Trust Agreement” herein. 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 MOA.

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 Bonds, an Officer’s Certificate (i) describing the specific Pledged Agreements to be released or, if applicable, substituted therefor 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 therefor 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 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 will be an Illinois unit of local government. A discrete borrower may be a Participant with respect to more than one Pledged Agreement. As noted above under “PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Characteristics of Initial Pledged Agreements,” on the date of issuance of the Series 2017 Bonds, only MWRD will have Initial Pledged Agreements having an outstanding principal amount exceeding twenty percent (20%) of the aggregate outstanding principal amount of all Initial Pledged Agreements (the “*Participant Criteria for Continuing Disclosure*”). MWRD became an “Obligated Participant” on the date of issuance of the Series 2016 Bonds. The outstanding principal amount of Bonds and the composition of the Pledged Agreements pledged to secure the Bonds will change over time due to scheduled principal amortization and prepayments, if any, releases and substitutions and the issuance of additional series of Bonds or other Additional Indebtedness. As a result, additional Participants may hereafter satisfy the Participant Criteria for Continuing Disclosure and will be deemed at such time to be an “Obligated Participant”. On the date of issuance of the Series 2016 Bonds, MWRD delivered the MWRD Undertaking (as hereinafter defined), and, at any time another Participant becomes an Obligated Participant, such Participant will be required to deliver, to the Authority a Continuing Disclosure Undertaking in substantially the form contained in

APPENDIX E—“FORM OF OBLIGATED PARTICIPANT CONTINUING DISCLOSURE AGREEMENT”. See also “CONTINUING DISCLOSURE”. An Obligated Participant’s continuing disclosure obligations remain for so long as the Series 2017 Bonds are outstanding or, if sooner, such time as all payments due under its Pledged Agreement have been made or its Loan is no longer outstanding under a Pledged Agreement.

MWRD is a frequent issuer of municipal obligations and its financial information and operating data is generally available from the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”). MWRD most recently posted with EMMA on July 27, 2017 its Continuing Disclosure Report for Year 2016 (the “2016 MWRD Report”). In the undertaking delivered by MWRD on the date of issuance of the Series 2016 Bonds (the “MWRD Undertaking”), MWRD agreed to provide, for such period of time as described above, financial information and operating data substantially in the form of the financial information and operating data included in the 2016 MWRD Report. Continuing disclosure information with respect to MWRD can be found on EMMA at the base CUSIP number for MWRD, which is 167560.

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

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 (“*Capitalization Grant Agreements*”) with 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. Alec Messina was appointed Director of the IEPA on July 1, 2016. Director Messina previously served as the Policy Adviser for Environment and Energy in the Office of Governor Bruce Rauner, where he was the Governor’s liaison to six state agencies: the Illinois Commerce Commission, the Illinois Department of Agriculture, the Illinois Department of Natural Resources, the IEPA, the Illinois Pollution Control Board and the Illinois Power Agency. Director Messina’s first position after completing law school was an internship with the IEPA’s Division of Legal Counsel. He later served the IEPA as Chief Legal Counsel from 2005-2009. He previously served as the General Counsel and Executive Director of the Illinois Environmental Regulatory Group. Director Messina earned his bachelor’s degree from the University of Illinois and law degree from Southern Illinois University.

Donovan Griffith has been the Deputy Director of the IEPA since July 2017. Deputy Director Griffith previously served as the Senior House Liaison in the Office of Governor Bruce Rauner, where, among other things, he oversaw the legislative departments of 14 state agencies; including but not limited to, the IEPA, Department of Natural Resources, Department of Agriculture and Illinois Pollution Control Board. Before his time with the administration, Deputy Director Griffith previously served as the IEPA's Chief Legislative Liaison, leading the IEPA's legislative agenda and working with legislators and stakeholders on issues pending before the Illinois General Assembly. Over the last 10 years, Deputy Director Griffith has been involved in policy development and legislative affairs in both the public and private sectors. Deputy Director Griffith has a B.A. degree in Political Science from Knox College.

John Kim, Chief Legal Counsel for the IEPA, 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 IEPA since 1994 and has had numerous positions within the IEPA 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 IEPA'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 IEPA in October 2012. She is responsible for managing the IEPA's \$2 billion annual budget and for overseeing a staff of 35 employees. She has worked in state government for nearly 26 years and has held progressively responsible positions in both the accounting and financial management departments. In September 2013, she was appointed 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. Ms. Radwine has announced her intention to depart the IEPA in mid-to-late September, 2017, in order to work for another agency of the State. The IEPA has begun the process of identifying her successor.

Mark Edmiston joined the IEPA as Finance Manager in September 2016, and directs Accounting, Cash Management and Expenditure Control activities, including Generally Accepted Accounting Principles reporting. He previously served for eight years as Chief of the Division of Grants and Financial Management for the Office of Preparedness and Response in the Illinois Department of Public Health. Prior to working for state government, he was a Senior Accountant with McGladrey and Pullen, CPA and served as Vice President and Controller for First Busey Corporation, a bank holding company. Mr. Edmiston holds a Bachelor of Science degree in Accounting from Illinois State University and is a Certified Public Accountant and a Chartered Global Management Accountant.

Gary Bingenheimer was recently named Manager of the IEPA Infrastructure Financial Assistance Section. Prior to being named Manager, Gary served as Acting Manager of such Section beginning in May 2014. Gary manages the day-to-day operations of the staff responsible for issuing the Loans and all activity related to the disbursement of Loan funds and the receipt of Loan repayments. Prior to joining the IEPA, Gary worked approximately five years in the electric utility industry performing electric rate analysis and cost of service studies. Gary joined the IEPA in November of 1996. After working approximately 8 years in the IEPA's Bureau of Water - Wastewater Permitting Section, Gary accepted the position as Manager of the Pre-Construction Unit in the Infrastructure Financial Assistance Section in 2006. Gary served in this capacity for approximately eight years, and, during such time, he was responsible for overseeing a staff of 10 Project Managers working hand-in-hand with communities seeking funding for wastewater and drinking water infrastructure improvement projects. Gary graduated

from Southern Illinois University in Carbondale in 1990 with a degree in Electrical Engineering and is a licensed professional engineer in the State.

Kevin Bryant was named the IEPA Water Revolving Fund Finance Manager in the fall of 2013. In this capacity, he manages the accounting of the Loans, the coordination with the Authority on the issuance of bonds and reporting requirements for outstanding bonds, and the preparation of the annual financial statements for the SRF Programs. He graduated in 1988 with a Bachelor of Science in Business with a Major in Accounting from Eastern Illinois University. He worked in the accounting and tax fields until joining the Illinois Department of Employment Security as an Unemployment Insurance Auditor in 1990. Kevin joined IEPA in 1994 and managed the Cash Management and Grant Accounting Unit until 2007, when he accepted the position of Post Construction Unit Manager in the Bureau of Water Section of State Revolving Loan Programs. In that capacity, Kevin was responsible for overseeing eight accountants who manage the loan process following loan disbursement and for managing the preparation of monthly and annual financial statements.

THE AUTHORITY

The Authority is a body politic and corporate of the State. The Authority was created under the Authority Act, which consolidated seven of the State's previously existing financing authorities (the "*Predecessor Authorities*"). All bonds, notes or other evidences of indebtedness of the Predecessor Authorities were assumed by the Authority effective January 1, 2004. 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 (subject to change, from time to time, by acts of the State Legislature), 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. 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. The Series 2017 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 2017 Bonds. Any bonds issued by the Authority (and any premium thereon and the interest thereon) do not constitute an indebtedness or an obligation, general or moral, or a pledge of the full faith and credit of the State of Illinois or any political subdivision thereof within the purview of any constitutional or statutory limitation or provision. No owner of any Bond 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 Bonds. The Authority has no taxing power.

The offices of the Authority are located at 160 North LaSalle Street, Suite S-1000, Chicago, Illinois 60601, and its telephone number is (312) 651-1300.

MEMORANDUM OF AGREEMENT

The MOA governs the duties and obligations of the Authority and the IEPA with respect to the issuance of the Series 2017 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 each Continuing Disclosure Undertaking (each a "*Continuing Disclosure Agreement*") entered into by the Authority with respect to the Authority Bonds (as defined in (g), below), (a) provide the Authority with (i) information necessary to file annual continuing disclosure documents as specified in Exhibit I to such Continuing Disclosure Agreement (the "*Annual Financial Information*"), (ii) in the event that 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, a report allowing the Authority to disseminate a statement to such effect as part of the Annual Financial Information for the year in which such event occurs, (iii) information necessary to file any necessary reportable event disclosure documents related to the IEPA (as described in Exhibit II to such Continuing Disclosure Agreement), and (iv) a determination, and all information necessary for the Authority to confirm such determination, by December 31 of each year, commencing on December 31, 2016, of whether any loan participant is an "Obligated Participant" under any Continuing Disclosure Agreement, (b) include requirements in the Agreements obligating Participants to execute a continuing disclosure undertaking, 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 15c2-12 under the Securities Exchange Act of 1934, pursuant to which such loan participants will agree to provide continuing disclosure documents to the extent that such Participants become "Obligated Participants" under any Continuing Disclosure Agreement and to compel each Obligated Participant, if necessary, to provide the information required under its continuing disclosure agreement, and (c) to provide a certificate to the Authority (on a form jointly agreed by the Authority and the IEPA) within 31 calendar days after the date upon which any Obligated Participant's continuing disclosure agreement terminates because such Obligated Participant ceases to have any loans outstanding and pledged to secure any Bonds so that the Authority can give timely notice to the MSRB, through its EMMA system, that the continuing disclosure agreement of such Obligated Participant has been terminated. The IEPA acknowledges and agrees that the IEPA is responsible for providing all information related to the IEPA and the Participants necessary to enable the Authority to comply with its obligations under each Continuing Disclosure Agreement;

(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;

(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; and

(j) Implement the administrative rules governing the procedures of the SRF Programs, including the those allowing the IEPA to modify, amend or restructure existing Loans under certain circumstances (such as the Rule Amendments), and take actions to amend, change, modify, alter or terminate any Loans only in a manner which is consistent and compliant with the provisions the Master Trust Agreement described in APPENDIX A — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT – Rights Under Pledged Agreements”, or any substitute or replacement provisions that may be in place from time to time, restricting the Authority’s ability to consent to modifications of existing Loans. Without limitation, the IEPA agrees to provide the Authority with all necessary information to enable the Authority to so comply.

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) Subject to the IEPA complying with its obligation to provide the necessary information, (i) compile and file such annual continuing disclosure documents provided to the Authority by IEPA (as described in Exhibit I to each Continuing Disclosure Agreement), (ii) monitor and file as necessary such reportable event disclosure documents (as described in Exhibit II to each 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 the IEPA that repayments on Pledged Agreements (for the SRF Programs) will satisfy financial requirements contained in the Master Trust Agreement for all outstanding Authority Bonds. Such certification shall be made (i) on a quarterly basis for any quarter in which the IEPA provides notification of any of the following events: (A) that any Pledged Agreement will be or is prepaid in advance of the stated maturity, (B) effective date of any amendments agreed to by the IEPA to any Pledged Agreement which reduce the amounts payable in any year, or (C) release, substitution or addition of any Pledged Agreement at the direction of the IEPA and (ii) promptly upon notification by the IEPA that more than an aggregate of ten percent of the outstanding amount under the Pledged Agreements has or will be prepaid in advance of the stated maturity or otherwise released. 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 2017 Bonds should be aware that there are certain investment considerations associated with the Series 2017 Bonds. Each prospective purchaser of the Series 2017 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 2017 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 2017 Bonds.

LIMITED OBLIGATIONS

The Series 2017 Bonds are limited obligations of the Authority payable on a parity basis with the Series 2013 Bonds, the Series 2016 Bonds and any Additional Indebtedness issued in the future solely from the revenues derived from the Pledged Agreements, or other amounts pledged as security for the Series 2017 Bonds and to the extent set forth in the Master Trust Agreement. The Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 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 2017 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 2017 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.
- The discontinuation, or reduction from current levels, of appropriations by the federal government with respect to capitalization funding for the SRF Programs as authorized by the Clean Water Act and the Safe Drinking Water Act.
- 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.

- As discussed under “TAX EXEMPTION” herein, interest on the Series 2017 Bonds could become includible in gross income for purposes of federal income taxation, retroactive to the date the Series 2017 Bonds were issued, as a result of future acts or omissions of the Authority in violation of its covenants in the Master Trust Agreement or future Congressional actions. Should such an event of taxability occur, the Series 2017 Bonds are not subject to acceleration or any special redemption solely as a result of the occurrence of events which would cause taxability and will remain outstanding until maturity or earlier redemption.

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 seeks to restrain or enjoin the issuance or delivery of the Series 2017 Bonds or questions or affects the validity of the Series 2017 Bonds or the proceedings or authority under which they are to be issued.

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 2017 Bonds or questioning or affecting the validity of the Series 2017 Bonds or the proceedings and authority under which the Series 2017 Bonds are to be issued, or the pledge or application of any moneys or security provided for the payment of the Series 2017 Bonds, (ii) in any manner questions the right of IEPA to enter into the bond purchase agreement described under the caption “UNDERWRITING” 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 2017 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 2017 Bonds, will be delivered to the Authority at the time of original delivery of the Series 2017 Bonds. The proposed form of such legal opinion is attached to this Official Statement as APPENDIX C—“PROPOSED FORM OF BOND COUNSEL OPINION”. Certain legal matters will be passed upon for the Authority by its counsel, Schiff Hardin LLP, Chicago, Illinois; for the Underwriters by their co-counsels, Chapman and Cutler 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 2017 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 2017 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 2017 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 2017 Bonds is not exempt from Illinois income taxes.

SERIES 2017 BONDS PURCHASED AT A PREMIUM

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2017 Bonds is sold to the public (the “*Offering Price*”) and the principal amount payable at maturity of such Series 2017 Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2017 Bond, the difference between the two is known as “bond premium.”

Bond premium is amortized over the term of a Series 2017 Bond on the basis of the Series 2017 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 2017 Bond. A Series 2017 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 2017 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2017 Bond).

Owners who purchase Series 2017 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 2017 Bonds. In addition, owners of Series 2017 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2017 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 2017 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2017 Bonds. These requirements relate to the use and investment of the proceeds of the Series 2017 Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2017 Bonds and the use of the property financed with the proceeds of the Series 2017 Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions.* Except during certain “temporary periods,” proceeds of the Series 2017 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 2017 Bonds.

(b) *Rebate of Permissible Arbitrage Earnings.* Unless the Series 2017 Bonds qualify for an exception, earnings from the investment of the “gross proceeds” of the Series 2017 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 2017 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 2017 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2017 Bonds.

(c) *Limitations on Private Use.* The Code includes limitations on the amount of Series 2017 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 2017 Bonds.

RISK OF NON COMPLIANCE

In the event that the Authority fails to comply with the requirements of the Code, interest on the Series 2017 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 2017 Bonds or payment of any additional interest or penalties to the owners of the Series 2017 Bonds.

FEDERAL INCOME TAX CONSEQUENCES

Pursuant to Section 103 of the Code, interest on the Series 2017 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 2017 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 2017 BONDS.

(a) *Cost of Carry.* Owners of the Series 2017 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 2017 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 2017 Bonds.

(b) *Corporate Owners.* Interest on the Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2017 Bonds.

Interest on the Series 2017 Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2017 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 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult with their tax advisors regarding the applicability of any state and local taxes.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the Series 2017 Bonds described in this Official Statement at an aggregate purchase price of \$662,309,083.11, reflecting an original issue premium of \$104,446,981.00 and an Underwriters' discount of \$2,162,897.89, and to reoffer such Bonds at the public offering price or prices set forth on the inside cover page hereof. The Series 2017 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 2017 Bonds. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2017 Bonds if any Series 2017 Bonds are purchased.

The Underwriters have designated Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative of the Underwriters of the Series 2017 Bonds. The Representative reserves the right to join with dealers and other underwriters in offering the Series 2017 Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2017 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 2017 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.

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.

Citigroup Global Markets Inc., an underwriter of the Series 2017 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. (“UBSFS”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Series 2017 Bonds.

Academy Securities, Inc., Co-Manager of the Series 2017 Bonds, has entered into distribution agreements with TD Ameritrade Inc., Stoeber, Glass & Company Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Douglas & Co. Municipals, Inc., Ross, Sinclair & Associates, Inc., W.H. Mell Associates, Inc., and Intercoastal Capital Markets, Inc. for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these distribution agreements (if applicable to this transaction), Academy Securities may share a portion of its underwriting compensation with these firms.

FINANCIAL ADVISORS

Acacia Financial Group, Chicago, Illinois and Sycamore Advisors, LLC, Chicago, Illinois (the “*Financial Advisors*”) have each been retained by the Authority to provide financial advisory services with respect to the Series 2017 Bonds. Under the terms of their respective engagements, the Financial Advisors are not obligated to undertake, and have 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.

RELATIONSHIPS AMONG THE PARTIES

In other transactions or pursuant to other programs of the Authority not related to the Series 2017 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 2017 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 2017 Bonds or with proceeds of other bonds. Potential purchasers of the Series 2017 Bonds should not assume that the Authority, IEPA, the Underwriters, the Financial Advisors, the Participants 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 2017 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.

RATINGS

Fitch Ratings (“*Fitch*”) and S&P Global Ratings (“*S&P*”), have assigned the Series 2017 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 2017 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 2017 Bonds, and the ratings and the Series 2017 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 2017 Bonds any proposed revision or withdrawal of the ratings of the Series 2017 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 2017 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 2017 Bonds.

IEPA CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of and payment for the Series 2017 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 the Director’s knowledge and belief (i) this Official Statement (excluding APPENDIX C—“PROPOSED FORM OF BOND COUNSEL OPINION”), both as of its date and as of the date of delivery of the Series 2017 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 2017 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 2017 Bonds to send certain information annually and to provide notice of certain events to the MSRB 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 MSRB has designated EMMA as the system to be used for continuing disclosure to investors. The MOA obligates the IEPA to provide to the Authority certain financial information and operating data to permit the Authority to satisfy its obligations under the Authority Undertaking. 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 D—“FORM OF CONTINUING DISCLOSURE AGREEMENT”.

The Authority agrees in the Authority Undertaking to confirm the IEPA’s determination as to whether any Participant is an Obligated Participant and to 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. The MOA obligates the IEPA to provide the Authority with all information necessary to permit such determination to be made on an annual basis. Upon the issuance of the Series 2017 Bonds, MWRD will be the only Participant deemed to be an Obligated Participant based upon the Participant Criteria for Continuing Disclosure, as described above under “THE PARTICIPANTS”.

Unless another Participant subsequently becomes an Obligated Participant, no financial and operating information of any Participant, other than MWRD as described above, will be provided. The Loan Agreement of any such Participant provides that, upon becoming an Obligated Participant, it will be required to enter into an undertaking substantially in the form of APPENDIX E—“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 subject to the lien of the Master Trust Agreement.

The Authority (together with the Governor’s Office of Management and Budget of the State, as dissemination agent) entered into a continuing disclosure undertaking in connection with the issuance of certain obligations issued by the Authority to leverage available loan funds under the SRF Programs (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, certain 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 required 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 2017 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, as applicable, will not constitute a default under the Master Trust Agreement and beneficial owners of the Series 2017 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 2017 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2017 Bonds and their market price.

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MISCELLANEOUS

All references to statutes, the Series 2017 Bonds, the Third Supplemental Master Trust Agreement, the Master Trust Agreement, the Pledged Agreements, the MOA, the Assignment Agreement 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 2017 Bonds.

The attached Appendices A through F 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/ Alec Messina

Director

ILLINOIS FINANCE AUTHORITY

By: /s/ Christopher B. Meister

Executive Director

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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 amended and restated by the Amended and Restated Assignment of Loans, dated as of September 1, 2016 from the IEPA to the Authority and the Second Amended and Restated Assignment of Loans, dated August 17, 2017, from the IEPA to the Authority, and as the same shall be further 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. In the case of the Series 2017 Bonds, the Authorized Denomination is \$5,000 or any integral multiple thereof.

“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%.

“Debt Service Requirement” means the respective principal and interest requirements on the State Match CWSRF Portion, the State Match DWSRF Portion, the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds due on the next succeeding Interest Payment Date.

“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 US 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 ORIGATION 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 amended by the First Amendment to Memorandum of Agreement dated as of June 30, 2014, the Second Amendment to Memorandum of Agreement dated as of September 1, 2016, the Third Amendment to Memorandum of Agreement dated as of April 1, 2017, and the Fourth Amendment to Memorandum of Agreement dated as of September 1, 2017, as from time to time further 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™ 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 by the Master Trust Agreement 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 pledged pursuant to the Master Trust Agreement 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 ORIGATION 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.

From and after the issuance of the Series 2017 Bonds, as described in the body of this Official Statement under the heading “INTRODUCTION—Amendments to Master Trust Agreement,” the provisions of the preceding paragraph shall read as follows:

At the times set forth as described under the heading “BOND 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. On the first Business Day of each month, if the aggregate amount on deposit in the Principal Subaccount and the Interest Subaccount of each of the CWSRF Revenue Account and the DWSRF Revenue Account is at least equal to the Debt Service Requirement, then the Master Trustee shall transfer any amounts on deposit in such subaccounts in excess of the Debt Service Requirement 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.

From and after the issuance of the Series 2017 Bonds, as described in the body of this Official Statement under the heading "INTRODUCTION—Amendments to Master Trust Agreement," the provisions of the preceding paragraph shall read as follows:

(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 (i) fees and expenses of the Master Trustee, (ii) expenses related to the Master Trust Agreement, including, without

limitation, the fees and expenses of the Authority's investment managers and advisors relating to investment of the funds held under the Master Trust Agreement and (iii) the annual management fee of the Authority set forth in Section II of 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. The Authority shall provide its written consent to the Master Trustee as required in the foregoing sentence only if an Officer's Certificate is delivered to the Master Trustee stating that, taking into account the contemplated amendments, changes, modifications, alterations or terminations of the Pledged Agreements for which the Authority's consent is required: (i) the Projected Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20:1.00 and (ii) the resulting Revenues available for the payment of the principal of and interest on the Bonds 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.

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

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 the presents of the Master Trust Agreement and the Trust Estate and rights granted by the Master Trust Agreement 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 declared by the Master Trust Agreement 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 grants in the Master Trust Agreement to 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 created by the Master Trust Agreement 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 created by the Master Trust Agreement on the Master 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, 2016**

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

FINANCIAL AUDIT
For the Year Ended June 30, 2016

STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
FUND 270 - WATER REVOLVING FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2016

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STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
FUND 270 - WATER REVOLVING FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2016

AGENCY OFFICIALS

Director	Alec Messina (effective 7/1/16) Lisa Bonnett (7/1/15 - 6/30/16)
Deputy Director	Ryan McCreery
Chief Legal Counsel	John J. Kim
Chief Financial Officer	Carol Radwine
Chief Internal Auditor	Max Paller (effective 2/1/16) Vacant (12/1/15 - 1/31/16) Rusti Cummings (7/1/15 - 11/30/15)

Agency headquarters is located at:

1021 North Grand Avenue East
Springfield, IL 62794

STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
FUND 270 - WATER REVOLVING FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2016

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying individual nonshared proprietary fund financial statements of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency (Agency) was performed by the Office of the Auditor General.

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

EXIT CONFERENCE

The Agency waived having an exit conference in a letter dated January 5, 2017, from the Agency's Acting Director, Mr. Alec Messina.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2016, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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 or the State of Illinois, Environmental Protection Agency, as of June 30, 2016, and its changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency. The combining financial statements listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements listed as supplementary information in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements listed as supplementary information in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2017, 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 its 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Environmental Protection Agency's internal control over financial reporting of the Water Revolving Fund and its compliance.

Restricted Use of this Auditor's Report

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 the State of Illinois, Environmental Protection Agency's management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
January 18, 2017

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

STATEMENT OF NET POSITION

**June 30, 2016
(amounts in \$000's)**

	Water Revolving Fund (270 Fund)
ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,716
Securities lending collateral equity with State Treasurer	10,326
Loans and notes receivable	83,933
Other receivables	14,546
Due from federal government	285
Due from other funds	3,355
Due from component unit	3,320
Restricted assets - accrued interest receivable	3,778
Restricted assets - loans receivable	112,485
Total current assets	<u>236,744</u>
Noncurrent assets	
Loans and notes receivable, net of current portion	1,572,867
Restricted assets - loans receivable	1,367,490
Capital assets, net of accumulated depreciation	45
Total noncurrent assets	<u>2,940,402</u>
TOTAL ASSETS	<u>3,177,146</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on pension liability	11,145
Deferred amount on refunding of long-term obligation	807
Total deferred outflows of resources	<u>11,952</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>3,189,098</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	191
Due to component units	312
Due to federal government	527
Due to other funds	691
Obligations under securities lending of State Treasurer	10,326
Compensated absences	26
Leases payable	17
Total current liabilities	<u>12,090</u>
Noncurrent liabilities	
Long-term obligations	38,091
Compensated absences	1,418
Net pension liability	61,394
Leases payable	9
Total noncurrent liabilities	<u>100,912</u>
TOTAL LIABILITIES	<u>113,002</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on pension liability	4,139
Deferred amount on refunding of long-term obligation	230
Total deferred inflows of resources	<u>4,369</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>117,371</u>
NET POSITION	
Net investment in capital assets	19
Restricted for	
Debt service	1,484,330
Other purposes	1,634,819
Unrestricted	(47,441)
TOTAL NET POSITION	<u>\$ 3,071,727</u>

See accompanying notes to 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 POSITION

**For the year ended June 30, 2016
(amounts in \$000's)**

	Water Revolving Fund (270 Fund)
OPERATING REVENUES	
Interest income on loans - unpledged	\$ 36,686
Interest income on loans - pledged	15,195
Total operating revenues	<u>51,881</u>
OPERATING EXPENSES	
General and administrative	20,484
Principal forgiveness	16,395
Depreciation	22
Total operating expenses	<u>36,901</u>
OPERATING INCOME	<u>14,980</u>
NONOPERATING REVENUES	
Interest and investment income	909
Federal government	107,755
Total nonoperating revenues	<u>108,664</u>
NONOPERATING EXPENSES	
Interest	2,299
Total nonoperating expenses	<u>2,299</u>
CHANGE IN NET POSITION	<u>121,345</u>
NET POSITION, BEGINNING OF YEAR	<u>2,950,382</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,071,727</u></u>

See accompanying notes to 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, 2016
(amounts in \$000's)**

	Water Revolving Fund (270 Fund)
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to employees for services	\$ (15,618)
Other payments	(679)
Net cash used in operating activities	<u>(16,297)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants received	163,168
Interest and principal paid on borrowing	(17,891)
Net cash provided by noncapital financing activities	<u>145,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment income	45,808
Deposited with Illinois Finance Authority	3,078
Loans disbursed to governmental units	(623,888)
Loans repaid by governmental units	181,621
Net cash used in investing activities	<u>(393,381)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(264,401)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>269,117</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,716</u></u>
Reconciliation of operating income to net cash used in operating activities	
Operating income	\$ 14,980
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation expense	22
Principal forgiveness	16,395
In-kind expense	206
Interest income	(51,881)
Change in assets and liabilities	
Decrease in deferred outflows of resources	2,376
Increase in accounts payable and accrued liabilities	67
Increase in due to component units	178
Increase in intergovernmental payables	324
Increase in due to other funds	474
Decrease in compensated absences	(46)
Decrease in net pension liability	(1,296)
Increase in deferred inflows of resources	1,904
Net cash used in operating activities	<u><u>\$ (16,297)</u></u>

See accompanying notes to financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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 (the 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

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, or accessing its website at www.illinoiscomptroller.gov.

The financial statements present only the Water Revolving Fund (270) administered by the 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, 2016, 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 position, statement of revenues, expenses, and changes in net position and statement of cash flows have been presented for the individual nonshared proprietary fund administered by the Agency.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist of deposits held in the State Treasury.

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.

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 position.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

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	\$5,000	3-25

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the Fund has two items that qualify for reporting in this category, deferred amounts from refunding debt (note 9) and amounts related to pensions (note 13).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund has two items that qualify for reporting in this category, deferred amounts from refunding debt (note 9) and amounts related to pensions (note 13).

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Pensions: In accordance with the Agency's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense have been recognized in the proprietary fund financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Agency's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

Net Investment in Capital Assets - this consists of capital assets, net of accumulated depreciation and related debt.

Restricted - this consists of amounts 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Unrestricted - this is the amount that does not meet the definition of “restricted” or “net investment in capital assets.” Although the Fund reports unrestricted net position, it is to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and is to remain in the Fund.

Adoption of New Accounting Pronouncements:

Effective for the year ended June 30, 2016, the Agency adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which was established to address accounting and financial reporting issues related to fair value measurements. The statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Agency had no investments meeting the criteria. Therefore, the adoption of this statement had no financial impact on the Agency’s net position, results of operations, or disclosures.

Effective for the year ending June 30, 2016, the Agency adopted GASB Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, the objective of which is to identify the hierarchy of generally accepted accounting principles (“GAAP”) in order for governments to more consistently apply the financial reporting guidance thus improving the usefulness of financial statement information. The GAAP hierarchy consists of the sources of accounting principles used to prepare the financial statements of the State in conformity with GAAP and the framework for selecting those principles. The statement reduces the hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this statement had no impact on the Agency’s financial statements.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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.

Deposits in the custody of the State Treasurer (or in transit) at June 30, 2016, were \$4,716 thousand. 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.

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 2016, 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 fair value of the loaned securities. Loans are marked to market daily. If the fair 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, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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 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, 2016, arising from securities lending agreements to the various funds of the State. The total allocated to the Water Revolving Fund at June 30, 2016, was \$10,326 thousand.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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%. 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% and 3.15%.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

5. Loans and Notes Receivable (Continued)

Estimated repayments of the loans receivable and interest thereon, are as follows (amounts in \$000's):

<u>Year ending June 30</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 196,419	\$ 48,942	\$ 245,361
2018	206,816	51,336	258,152
2019	206,765	48,103	254,868
2020	204,631	44,344	248,975
2021	201,174	40,456	241,630
2022-2026	951,410	145,005	1,096,415
2027-2031	764,091	69,266	833,357
2032-2036	390,386	17,311	407,697
2037-2041	<u>19,388</u>	<u>348</u>	<u>19,736</u>
	<u>\$ 3,141,080</u>	<u>\$ 465,111</u>	<u>\$ 3,606,191</u>

*Repayments included planned future interest capitalization in the amount of: \$4,305 (based on actual disbursements).

Restricted Loans Receivable

At June 30, 2016, the Agency has pledged loans receivable in the amount of \$1,479,975 thousand. This amount is to finance present and future issuances of leveraged bond debt (see note 9). During the year ended June 30, 2016, the Agency received \$115,063 thousand and \$15,526 thousand pledged principal and interest, respectively, on these loans. After bond payment, any excess of the principal and interest received over the 1.2 coverage ratio is released from restriction.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

5. Loans and Notes Receivable (Continued)

Loan Commitments and Concentrations

Per the Environmental Protection Agency 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, 42.13% of loan funds made under the Clean Water Program have been made to MWRDGC and municipalities in its service area.

As of June 30, 2016, the outstanding balance of loans to MWRDGC amounted to \$839,223 thousand which exceeds 5% of total loans receivable of the fund. This represents approximately 26.75% of total loans receivable.

As of June 30, 2016, the outstanding balance of loans to the City of Chicago amounted to \$351,952 thousand which exceeds 5% of the total loans receivable of the fund. This represents approximately 11.22% of the total loans receivable.

Principal Forgiveness

As of June 30, 2016, the Federal loan commitments included ARRA federal funds of \$256,781 thousand, of which \$129,077 thousand will be forgiven. ARRA principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet ARRA requirements.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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 \$96,701 thousand and the total maximum amount is \$264,354 thousand. The 2016 Federal grants for both the Clean Water and Drinking Water programs had not been received as of June 30, 2016. The principal forgiveness required under these grants will be provided through a methodology to be determined at a later date to assure that the program meets the minimum principal forgiveness amount. The Clean Water Program exceeded the maximum principal forgiveness allowed after the 2011 grant by \$11,903 thousand. This amount has been 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 (amounts in \$000's):

	Clean Water Program		
	<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	3,552	5,329	3,552
2013 Grant	2,844	4,266	2,844
2014 Grant	3,451	5,176	5,148
2015 Grant	-	18,926	14,261
2016 Grant (to be issued)	6,043	18,128	-
Principal forgiveness charged to Loan Support Program	<u>-</u>	<u>-</u>	<u>11,903</u>
Total Principal Forgiveness Post-ARRA	<u>\$ 35,880</u>	<u>\$ 118,457</u>	<u>\$ 104,335</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

5. Loans and Notes Receivable (Continued)

	Drinking Water Program		
	<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	6,776	10,164	9,694
2013 Grant	6,357	9,536	6,358
2014 Grant	7,382	11,073	7,626
2015 Grant	7,334	11,000	9,853
2016 Grant (to be issued)	6,938	17,345	-
Principal forgiveness charged to Loan Support Program	<u>-</u>	<u>-</u>	<u>-</u>
Total Principal Forgiveness Post-ARRA	<u>\$ 60,821</u>	<u>\$ 145,897</u>	<u>\$ 60,338</u>
	Total		
	<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	10,328	15,493	13,246
2013 Grant	9,201	13,802	9,202
2014 Grant	10,833	16,249	12,774
2015 Grant	7,334	29,926	24,114
2016 Grant (to be issued)	12,981	35,473	-
Principal forgiveness charged to Loan Support Program	<u>-</u>	<u>-</u>	<u>11,903</u>
Total Principal Forgiveness Post-ARRA	<u>\$ 96,701</u>	<u>\$ 264,354</u>	<u>\$ 164,673</u>

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6. Due from Component Unit

The amount due from component unit represents unpledged loan repayments and related interest received and held in certain trust accounts in the name of the Illinois Finance Authority (IFA) in connection with the bonds (See note 9). The unpledged loan repayments and related interest are transferred monthly to the State Treasury.

7. Interfund Balances and Transfers

Balances Due from Other Funds: The following balances at June 30, 2016, represent amounts due from other Agency and State of Illinois funds (amounts in \$000's):

Due from Build Illinois Bond fund	<u>\$ 3,355</u>
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Balances Due to Other Funds: The following balances at June 30, 2016, represent amounts due to other Agency and State of Illinois funds (amounts in \$000's):

Due to Central Management Services for:	
Facilities management revolving payments	\$ 150
State garage revolving payments	48
Statistical services revolving payments	354
Group insurance premium payments	55
Communications revolving payments	<u>65</u>
	672
 Due to U.S. Environmental Protection Trust Fund	 17
Due to State Employees' Retirement System	<u>2</u>
 Total Due to Other Funds	 <u>\$ 691</u>

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8. Capital Assets

Capital asset activities for the year ended June 30, 2016, were as follows (amounts in \$000's):

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2016</u>
Capital assets being depreciated				
Equipment	\$ 451	\$ -	\$ (19)	\$ 432
Less: accumulated depreciation	<u>384</u>	<u>22</u>	<u>(19)</u>	<u>387</u>
 Total capital assets being depreciated	 <u>\$ 67</u>	 <u>\$ (22)</u>	 <u>\$ -</u>	 <u>\$ 45</u>

9. Long-Term Obligations

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2016, were as follows (amounts in \$000's):

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Due to Illinois Finance					
Authority	\$ 53,872	\$ 2,272	\$ 18,053	\$ 38,091	\$ -
Compensated absences	1,490	1,177	1,223	1,444	26
Net pension liability	62,690	-	1,296	61,394	-
Leases payable	<u>26</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>17</u>
	<u>\$ 118,078</u>	<u>\$ 3,449</u>	<u>\$ 20,572</u>	<u>\$ 100,955</u>	<u>\$ 43</u>

Due to Illinois Finance Authority: On December 5, 2013, the Illinois Finance Authority (IFA), a nonmajor component unit of the State of Illinois, issued \$141,700 thousand State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds Series 2013 (2013 bonds), with interest rates ranging from 1.5% to 5.0%. The purpose of the 2013 bonds was to advance refund \$107,770 thousand of outstanding Series 2002 and 2004 bonds, with interest rates ranging from 3.25% to 5.5%, and to provide \$58,526 thousand of State Match required under the program's capitalization grants for the grant years 2011-2013. The net proceeds from the 2013 bond issue included \$16,875 thousand in bond premiums.

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9. Long-Term Obligations (Continued)

A portion of the 2013 bond proceeds was deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the 2002 and 2004 Series bonds. As a result, those bonds were considered to be defeased, as was the Agency's obligation to IFA for those bonds. The liability was removed from the Agency's statement of net position. The 2002 and 2004 Series bonds were repaid in their entirety during the year ended June 30, 2015.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the Agency's obligation, creating a deferred outflow of resources of \$1,768 thousand for the 2004 bonds and a deferred inflow of resources of \$676 thousand for the 2002 bonds. These differences are being amortized through fiscal year 2023 for the 2004 bonds and 2020 for the 2002 bonds, using the effective-interest method. Total amortization expense for the year ended June 30, 2016, was \$190 thousand.

Prior to issuance of the 2013 bonds, the Agency sold and assigned certain loans outstanding related to the Clean Water Program and Drinking Water Program to the IFA and pledged the loans to secure payment of the bonds. Of the total outstanding loans at June 30, 2016, \$1,479,975 thousand 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.

The State Match portion of the 2013 bonds is to be paid from the interest repayments of the pledged loans and the income derived from the investment of monies held in funds and accounts established under the bond indenture. The remaining funds are used to pay the amounts due from refinancing and any future leveraged bond sale.

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9. Long-Term Obligations (Continued)

After the bond payments have been made, any excess repayment funds can be released for use in the Loan Program as long as the Pledged Loan to Debt Ratio is 1.2 to 1. All funds at the Trustee are held in the name of IFA. As a result, the Water Revolving Fund has recorded an obligation to repay the outstanding balance of the bonds and other costs, adjusted for excess amounts held by IFA in certain restricted accounts, as follows (amounts in \$000's):

Bonds payable	\$ 97,675
Accrued interest payable on bonds at June 30, 2016	2,423
Unamortized premium	7,925
Deferred net loss on prior bonds refunded	<u>(577)</u>
	107,446
Cash and cash equivalents held in restricted accounts at June 30, 2016	<u>(69,355)</u>
Net obligation	<u><u>\$ 38,091</u></u>

The debt service required to be paid by IFA on the bonds is as follows (amounts in \$000's):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 20,355	\$ 4,590
2018	19,545	3,578
2019	17,410	2,623
2020	14,665	1,791
2021	11,140	1,088
2022 – 2024	<u>14,560</u>	<u>962</u>
	<u><u>\$ 97,675</u></u>	<u><u>\$ 14,632</u></u>

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10. Restricted Net Position

Portions of net position at June 30, 2016, are restricted for (amounts in \$000's):

Low interest loans to local governments, net of loans pledged for debt service	\$ 1,634,819
Debt service	<u>1,484,330</u>
Total restricted net position	<u>\$ 3,119,149</u>

Low Interest Loans: 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. 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 2013 (see Note 9).

11. 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, \$1,821,150 thousand for Waste Water and \$704,545 thousand 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, 2016, with respect to costs in connection with loans made under the Waste Water and Drinking Water Loan Programs.

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11. Capitalization Grants (Continued)

The remaining Capital Grant Facility as of June 30, 2016, is summarized below (amounts in \$000's):

	<u>Waste Water</u>	<u>Drinking Water</u>	<u>Total</u>
Total Capital Grants	\$ 1,821,150	\$ 704,545	\$ 2,525,695
Less: Cumulative drawdowns	<u>(1,820,989)</u>	<u>(667,459)</u>	<u>(2,488,448)</u>
Capital Grant Facility	<u>\$ 161</u>	<u>\$ 37,086</u>	<u>\$ 37,247</u>

Included in the above table are the following amounts awarded under the ARRA (amounts in \$000's):

Total ARRA grants	\$ 177,243	\$ 79,538	\$ 256,781
Less: Cumulative drawdowns	<u>(177,243)</u>	<u>(79,538)</u>	<u>(256,781)</u>
Remaining ARRA amounts to be drawn	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

12. 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, 2016, the Agency had \$1,689 thousand available 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.

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12. General and Administrative Costs (Continued)

The Agency is also authorized to use a portion of each capitalization grant 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, 2016, are as follows (amounts in \$000's):

Revenues	
Administrative grants	\$ 1,700
Loan Support	<u>22,853</u>
	24,553
Expenses	
Payroll and benefits	18,451
Other general expenses	2,033
Depreciation	<u>22</u>
	<u>20,506</u>
Excess of revenues over expenses	<u>\$ 4,047</u>

13. Pension Plan

Plan Description: 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 single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by Article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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13. Pension Plan (Continued)

Benefit Provisions: SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is \$15.00 for each year of covered employment and \$25.00 for each year of noncovered employment.

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2015 rate is \$111,572.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

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13. Pension Plan (Continued)

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions: Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2016, this amount was \$111,572.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

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13. Pension Plan (Continued)

For fiscal year 2016, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2016, the employer contribution rate was 45.598%. The Fund's contribution amount for fiscal year 2016 was \$3,906 thousand.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions: At June 30, 2016, the Fund reported a liability of \$61,394 thousand for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2015 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Fund's portion of the net pension liability was based on the Fund's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2015. As of the current year measurement date of June 30, 2015, the Fund's proportion was 0.2192%, which was a decrease of 0.0121% from its proportion measured as of the prior year measurement date of June 30, 2014.

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13. Pension Plan (Continued)

For the year ended June 30, 2016, the Fund recognized pension expense of \$2,984 thousand. At June 30, 2016, the Agency reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources (amounts in \$000's):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 187	\$ 797
Changes of assumptions	4,504	-
Net difference between projected and actual investment earnings on pension plan investments	-	930
Changes in proportion	2,548	2,412
Department contributions subsequent to the measurement date	<u>3,906</u>	<u>-</u>
Total	<u>\$ 11,145</u>	<u>\$ 4,139</u>

\$3,906 thousand reported as deferred outflows of resources related to pensions resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in \$000's):

Year ended June 30,		
2017	\$	1,471
2018		1,471
2019		418
2020		<u>(260)</u>
Total	\$	<u>3,100</u>

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13. Pension Plan (Continued)

Actuarial Methods and Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015.

Inflation: 3.0%

Investment Rate of Return: 7.25%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lesser of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

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13. Pension Plan (Continued)

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 10-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2015, the best estimates of the geometric real rates of return as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	30%	5.69%
Fixed Income	20%	1.62%
Hedge Funds	10%	4.00%
International Equity	20%	6.23%
Real Estate	10%	5.50%
Infrastructure	5%	6.00%
Private Equity	5%	10.10%
Total	100%	5.03%

Discount Rate: A discount rate of 7.02% was used to measure the total pension liability as of the measurement date of June 30, 2015 as compared to a discount rate of 7.09% used to measure the total pension liability as of the prior year measurement date. The June 30, 2015 single blended discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.80%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2067. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2067, and the municipal bond rate was applied to all benefit payments after that date.

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13. Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts in \$000's):

	1% Decrease 6.02%	Discount Rate 7.02%	1% Increase 8.02%
Fund's proportionate share of the net pension liability	\$ 73,908	\$ 61,394	\$ 51,006

Payables to the pension plan: At June 30, 2016, the Fund reported a payable of \$2 thousand to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

14. Post-employment Benefits

The State, under the State Employees Group Insurance Act of 1971 ("Act"), provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for these other postemployment benefits ("OPEB") if they eventually become annuitants of one of the State sponsored pension plans. Historically, the health, dental, and vision benefits provided to and contribution amounts required from annuitants have been the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with the limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. 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. The State also provides life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes five thousand dollars.

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14. Post-employment Benefits (Continued)

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 benefits 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 Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

15. 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 Water Revolving Fund.

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16. Future Adoption of GASB Statements

Effective for the year ending June 30, 2017, the Agency will adopt GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which was established to address the accounting and reporting requirements for the financial reports of governments with pensions and pension plans not administered through trusts that meet the criteria in Statement No. 68. Additionally, the statement clarifies the application of certain provisions of Statement No. 67 and No. 68. The Agency has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2017, the Agency will adopt GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Agency has not yet determined the impact on its financial statements as a result of adopting this statement.

17. Subsequent Event

On September 12, 2016, the Illinois Finance Authority, a non-major component unit of the State of Illinois, issued \$500.0 million of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds. The proceeds (including a premium of \$91.7 million and less expenses of \$2.9 million) provided \$24.2 million of Clean Water State Match, \$21.2 million for Drinking Water State Match, \$326.0 million for Clean Water Loan program needs, and \$217.4 million for the needs of the Drinking Water Loan Program.

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ENVIRONMENTAL PROTECTION AGENCY
FUND 270 - WATER REVOLVING FUND
INDIVIDUAL NONSHARED PROPRIETARY FUND

COMBINING STATEMENT OF NET POSITION BY PROGRAM

June 30, 2016
(amounts in \$000's)

	Drinking Water	Waste Water	Subtotal	Eliminating Entries	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 22,875	\$ 54,514	\$ 77,389	\$ (72,673)	\$ 4,716
Securities lending collateral equity with State Treasurer	-	-	-	10,326	10,326
Loans and notes receivable	16,304	67,629	83,933	-	83,933
Other receivables	2,632	11,914	14,546	-	14,546
Due from federal government	285	-	285	-	285
Due from other funds	3,355	-	3,355	-	3,355
Due from component unit	-	-	-	3,320	3,320
Due from Drinking Water program	-	285	285	(285)	-
Restricted assets - accrued interest receivable	730	3,048	3,778	-	3,778
Restricted assets - loans receivable	29,689	82,796	112,485	-	112,485
Total current assets	75,870	220,186	296,056	(59,312)	236,744
Noncurrent assets					
Loans and notes receivable, net of current portion	370,439	1,202,428	1,572,867	-	1,572,867
Restricted assets - loans receivable	331,191	1,036,299	1,367,490	-	1,367,490
Capital assets, net of accumulated depreciation	9	36	45	-	45
Total noncurrent assets	701,639	2,238,763	2,940,402	-	2,940,402
TOTAL ASSETS	777,509	2,458,949	3,236,458	(59,312)	3,177,146
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on pension liability	2,254	8,891	11,145	-	11,145
Deferred amount on refunding of long-term obligation	309	498	807	-	807
Total deferred outflows of resources	2,563	9,389	11,952	-	11,952
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	780,072	2,468,338	3,248,410	(59,312)	3,189,098
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	893	1,721	2,614	(2,423)	191
Due to component units	57	255	312	-	312
Due to federal government	-	527	527	-	527
Due to local governments	-	-	-	-	-
Due to other funds	186	505	691	-	691
Due to Waste Water program	285	-	285	(285)	-
Obligations under securities lending of State Treasurer	-	-	-	10,326	10,326
Compensated absences	7	19	26	-	26
Leases payable, current	-	17	17	-	17
Revenue bonds	7,287	13,068	20,355	(20,355)	-
Unamortized premium on revenue bonds	906	1,621	2,527	(2,527)	-
Total current liabilities	9,621	17,733	27,354	(15,264)	12,090
Noncurrent liabilities					
Long-term obligations	-	-	-	38,091	38,091
Compensated absences	351	1,067	1,418	-	1,418
Net pension liability	12,419	48,975	61,394	-	61,394
Leases payable	-	9	9	-	9
Revenue bonds	27,650	49,670	77,320	(77,320)	-
Unamortized premium on revenue bonds	1,921	3,475	5,396	(5,396)	-
Total noncurrent liabilities	42,341	103,196	145,537	(44,625)	100,912
TOTAL LIABILITIES	51,962	120,929	172,891	(59,889)	113,002
DEFERRED INFLOWS OF RESOURCES					
Deferred amount on pension liability	837	3,302	4,139	-	4,139
Deferred amount on refunding of long-term obligation	77	153	230	-	230
Total deferred inflows of resources	914	3,455	4,369	-	4,369
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	52,876	124,384	177,260	(59,889)	117,371
NET POSITION					
Net investment in capital assets	9	10	19	-	19
Restricted for					
Debt service	380,689	1,172,410	1,553,099	(68,769)	1,484,330
Other purposes	355,586	1,209,887	1,565,473	69,346	1,634,819
Unrestricted	(9,088)	(38,353)	(47,441)	-	(47,441)
TOTAL NET POSITION	\$ 727,196	\$ 2,343,954	\$ 3,071,150	\$ 577	\$ 3,071,727

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

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY PROGRAM

**For the year ended June 30, 2016
(amounts in \$000's)**

	Drinking Water	Waste Water	Subtotal	Eliminating Entries	Total
OPERATING REVENUES					
Interest income on loans - unpledged	\$ 8,402	\$ 28,284	\$ 36,686	\$ -	\$ 36,686
Interest income on loans - pledged	4,048	11,147	15,195	-	15,195
Total operating revenues	<u>12,450</u>	<u>39,431</u>	<u>51,881</u>	<u>-</u>	<u>51,881</u>
OPERATING EXPENSES					
General and administrative	4,700	15,784	20,484	-	20,484
Principal forgiveness	8,693	7,702	16,395	-	16,395
Depreciation	4	18	22	-	22
Total operating expenses	<u>13,397</u>	<u>23,504</u>	<u>36,901</u>	<u>-</u>	<u>36,901</u>
OPERATING INCOME (LOSS)	<u>(947)</u>	<u>15,927</u>	<u>14,980</u>	<u>-</u>	<u>14,980</u>
NONOPERATING REVENUES					
Interest and investment income	214	702	916	(7)	909
Federal government	33,908	73,847	107,755	-	107,755
Total nonoperating revenues	<u>34,122</u>	<u>74,549</u>	<u>108,671</u>	<u>(7)</u>	<u>108,664</u>
NONOPERATING EXPENSES					
Interest	767	1,349	2,116	183	2,299
Total nonoperating expenses	<u>767</u>	<u>1,349</u>	<u>2,116</u>	<u>183</u>	<u>2,299</u>
	<u>32,408</u>	<u>89,127</u>	<u>121,535</u>	<u>(190)</u>	<u>121,345</u>
TRANSFERS					
Transfer from Waste Water loan program	17,750	-	17,750	(17,750)	-
Transfer to Drinking Water loan program	-	(17,750)	(17,750)	17,750	-
Total transfers	<u>17,750</u>	<u>(17,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>50,158</u>	<u>71,377</u>	<u>121,535</u>	<u>(190)</u>	<u>121,345</u>
NET POSITION, BEGINNING OF YEAR	<u>677,038</u>	<u>2,272,577</u>	<u>2,949,615</u>	<u>767</u>	<u>2,950,382</u>
NET POSITION, END OF YEAR	<u>\$ 727,196</u>	<u>\$ 2,343,954</u>	<u>\$ 3,071,150</u>	<u>\$ 577</u>	<u>\$ 3,071,727</u>

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

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For the year ended June 30, 2016
(amounts in \$000's)

	Drinking Water	Waste Water	Subtotal	Eliminating Entries	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash payments to employees for services	\$ (4,038)	\$ (11,580)	\$ (15,618)	\$ -	\$ (15,618)
Other payments	(238)	(441)	(679)	-	(679)
Net cash used in operating activities	<u>(4,276)</u>	<u>(12,021)</u>	<u>(16,297)</u>	<u>-</u>	<u>(16,297)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	37,041	126,127	163,168	-	163,168
Interest and principal paid on borrowing	(9,601)	(17,303)	(26,904)	9,013	(17,891)
Transfer from Waste Water loan program	17,750	-	17,750	(17,750)	-
Transfer to Drinking Water loan program	-	(17,750)	(17,750)	17,750	-
Net cash provided by noncapital financing activities	<u>45,190</u>	<u>91,074</u>	<u>136,264</u>	<u>9,013</u>	<u>145,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and investment income	11,523	34,285	45,808	-	45,808
Deposited with Illinois Finance Authority	-	-	-	3,078	3,078
Change in interprogram amounts due	103	(103)	-	-	-
Loans disbursed to governmental units	(152,141)	(471,747)	(623,888)	-	(623,888)
Loans repaid by governmental units	43,630	137,991	181,621	-	181,621
Net cash used in investing activities	<u>(96,885)</u>	<u>(299,574)</u>	<u>(396,459)</u>	<u>3,078</u>	<u>(393,381)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,971)	(220,521)	(276,492)	12,091	(264,401)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	78,846	275,035	353,881	(84,764)	269,117
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,875</u>	<u>\$ 54,514</u>	<u>\$ 77,389</u>	<u>\$ (72,673)</u>	<u>\$ 4,716</u>
Reconciliation of operating income to net cash used in operating activities					
Operating income (loss)	\$ (947)	\$ 15,927	\$ 14,980	\$ -	\$ 14,980
Adjustments to reconcile operating income to net used in operating activities					
Depreciation expense	4	18	22	-	22
Principal forgiveness	8,693	7,702	16,395	-	16,395
In-kind expense	103	103	206	-	206
Interest income	(12,450)	(39,431)	(51,881)	-	(51,881)
Change in assets and liabilities					
Decrease in deferred outflows of resources	937	1,439	2,376	-	2,376
Increase in accounts payable and accrued liabilities	6	61	67	-	67
Increase (decrease) in due to component units	(4)	182	178	-	178
Increase (decrease) in intergovernmental payables	(13)	337	324	-	324
Increase in due to other funds	120	354	474	-	474
Decrease in compensated absences	(15)	(31)	(46)	-	(46)
Decrease in net pension liability	(993)	(303)	(1,296)	-	(1,296)
Increase in deferred inflows of resources	283	1,621	1,904	-	1,904
Net cash used in operating activities	<u>\$ (4,276)</u>	<u>\$ (12,021)</u>	<u>\$ (16,297)</u>	<u>\$ -</u>	<u>\$ (16,297)</u>

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT AUDITOR'S 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 Frank J. Mautino
Auditor General
State of Illinois

We have audited, in accordance with the 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, the Water Revolving Fund of the State of Illinois, Environmental Protection Agency, as of June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Environmental Protection Agency's internal control over financial reporting (internal control) of the Water Revolving Fund to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Environmental Protection Agency's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Environmental Protection Agency Water Revolving Fund's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Environmental Protection Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Environmental Protection Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
January 18, 2017

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

[Date of Issuance of Series 2017 Bonds]

The Members of the
Illinois Finance Authority

Dear Members:

We have examined a record of proceedings relating to the issuance of \$560,025,000 aggregate principal amount of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2017 (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 2017-0817-LG03, adopted by the members of the Authority on August 17, 2017 (the “Bond Resolution”). The Bonds are issued and secured under the Master Trust Agreement dated as of November 1, 2013, as heretofore supplemented (the “Master Trust Agreement”), by and between the Authority and Amalgamated Bank of Chicago, as master trustee (the “Master Trustee”) as amended and further supplemented by the Third Supplemental Master Trust Agreement dated as of September 1, 2017 (the “Third Supplemental Master Trust Agreement”), by and between the Authority and the Master Trustee.

Pursuant to the Master Trust Agreement, the Authority has heretofore issued two series of its State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, which are outstanding in the aggregate principal amount of \$556,755,000 (the “Outstanding Bonds”). The Bonds, the Outstanding 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.

The Bonds are dated September 12, 2017 and bear interest from their date at the rate of five per centum (5.00%) per annum payable on January 1, 2018 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:

<u>Maturity Date</u>	<u>Principal Amount</u>
July 1, 2018	\$ 8,700,000
January 1, 2019	10,000,000
July 1, 2019	11,100,000
January 1, 2020	12,620,000
July 1, 2020	13,440,000
January 1, 2021	14,015,000
July 1, 2021	14,680,000
January 1, 2022	14,900,000
July 1, 2022	15,115,000
January 1, 2023	15,750,000
July 1, 2023	16,170,000
January 1, 2024	16,585,000
July 1, 2024	16,745,000
January 1, 2025	16,835,000
July 1, 2025	16,730,000
January 1, 2026	16,555,000
July 1, 2026	16,920,000
January 1, 2027	17,205,000
July 1, 2027	16,445,000
January 1, 2028	16,505,000
July 1, 2028	16,170,000
January 1, 2029	16,385,000
July 1, 2029	16,010,000
January 1, 2030	15,920,000
July 1, 2030	15,705,000
July 1, 2031	31,385,000
July 1, 2032	31,640,000
July 1, 2033	29,180,000
July 1, 2034	26,370,000
July 1, 2035	25,930,000
July 1, 2036	23,280,000
July 1, 2037	15,035,000

Bonds maturing on July 1 of the years 2031 to 2037, both inclusive, are subject to mandatory redemption, in part and by lot, at a redemption price of par, on the January 1 next preceding the maturity date of such Bonds, by the application of a sinking fund installment for each such maturity in the respective principal amount set forth in the Third Supplemental Master Trust Agreement.

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 (the “Code”), on December 3, 2018 and on December 1, 2020, at the applicable redemption prices set forth in the Third Supplemental Master Trust Agreement.

The Bonds maturing on or after July 1, 2027 are subject to redemption prior to maturity at the option of the Authority, in such principal amounts and from such maturities as the Authority shall determine and within any maturity by lot, on any date on or after January 1, 2027, at a redemption price of par plus accrued interest to the date fixed for redemption.

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

1. The Authority had and 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 Third 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 Third 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 Third 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 Third Supplemental Master Trust Agreement, and are enforceable in accordance with their terms.

5. The Bonds, the Outstanding 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, the Outstanding Bonds and all Additional Indebtedness, subject to the application of the Revenues and the administration of the 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 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.

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 Third 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,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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 \$560,025,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2017 (the “*Bonds*”). The Bonds are being issued under and pursuant to a Master Trust Agreement dated as of November 1, 2013, as heretofore supplemented and amended (the “*Master Trust Agreement*”) between the Authority and Amalgamated Bank of Chicago, an Illinois banking corporation, as master trustee (the “*Master Trustee*”), as further supplemented by a Third Supplemental Master Trust Agreement dated as of September 1, 2017 (the “*Third 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 and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the Water Revolving Fund of the State of Illinois prepared in accordance with accounting principles generally accepted in the United States of America 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 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.

“*Final Official Statement*” means the final Official Statement dated August 29, 2017 relating to the Bonds.

“*MOA*” means the Memorandum of Agreement dated as of November 1, 2013 by and between the Authority and the Agency, as amended by the First Amendment to Memorandum of Agreement dated as of June 30, 2014, the Second Amendment to Memorandum of Agreement dated as of September 1, 2016, the Third Amendment to Memorandum of Agreement dated as of April 1, 2017, and the Fourth Amendment to Memorandum of Agreement dated as of September 1, 2017, and as the same may be hereafter from time to time further supplemented and amended in accordance with its terms.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*MWRD*” means the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois.

“*Obligated Participant*” means a Participant determined in accordance with Section 11 of this Agreement to be 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.

“*State*” means the State of Illinois.

“*Undertaking*” means the obligations of the Authority pursuant to Sections 4 and 5.

Section 3. CUSIP Numbers. The CUSIP Numbers of the Bonds are as set forth in *Exhibit III*.

Section 4. Annual Financial Information Disclosure. In accordance with the MOA, the Agency is obligated to deliver the Annual Financial Information and the Audited Financial Statements 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 the Annual Financial Information and the 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 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.

The Authority may satisfy its obligations under this Section by reference to the extent the Annual Financial Information or the Audited Financial Statements have previously been disseminated to EMMA by the Agency or the State.

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 the 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 Third Supplemental Master 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 Agency and to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder. In the event of a failure of the 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 Third Supplemental Master 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 Third Supplemental Master 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 execution and delivery of this Agreement, MWRD is the only Obligated Participant and MWRD has delivered to the Authority an executed continuing disclosure undertaking in substantially the form described in the Final Official Statement. 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 confirm 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 and to provide a certification to the Authority of the termination of the continuing disclosure agreement of an Obligated Participant with respect to the Bonds upon the occurrence of such a termination.

By December 31 of each year, commencing on December 31, 2017, the Agency shall determine, and the Authority agrees to confirm such determination, as to 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. Upon receipt of certification from the Agency that any Obligated Participant's continuing disclosure agreement has terminated because such Obligated Participant has ceased to have any loans outstanding and pledged to secure the Authority's bonds, the Authority shall give notice of such termination to EMMA in a timely manner. As to any Obligated Participant, the Authority agrees to require any such Obligated Participant to enter into a continuing disclosure undertaking, 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 the 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 Third Supplemental Master 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: _____, 2017

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 Authority shall clearly identify each such item of information included by reference.

“Annual Financial Information” means financial information and operating data consisting of the information of the type contained in the Final Official Statement in the tables under the headings “PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Projected Debt Service Coverage for the Bonds” and “—Characteristics of Initial Pledged Agreements” (which shall be updated to provide information describing the characteristics of the Pledged Agreements then securing the Bonds). In preparing future updates of information of the type contained in the Official Statement under the heading “PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Projected Debt Service Coverage for the Bonds,” the Authority may elect to present such information on such annual basis as it shall determine rather than the semi-annual basis presented in the Final Official Statement.

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.

The Audited Financial Statements will be prepared according to accounting principles generally accepted in the United States of America and subject to any express requirements of State law. The Audited Financial Statements will be submitted by the Authority to EMMA within 30 days after receipt from the Agency.

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

MATURITY DATE	INTEREST RATE	CUSIP BASE: 45204E
July 1, 2018	5.00%	WZ7
January 1, 2019	5.00	XA1
July 1, 2019	5.00	XB9
January 1, 2020	5.00	XC7
July 1, 2020	5.00	XD5
January 1, 2021	5.00	XE3
July 1, 2021	5.00	XF0
January 1, 2022	5.00	XG8
July 1, 2022	5.00	XH6
January 1, 2023	5.00	XJ2
July 1, 2023	5.00	XK9
January 1, 2024	5.00	XL7
July 1, 2024	5.00	XM5
January 1, 2025	5.00	XN3
July 1, 2025	5.00	XP8
January 1, 2026	5.00	XQ6
July 1, 2026	5.00	XR4
January 1, 2027	5.00	XS2
July 1, 2027	5.00	XT0
January 1, 2028	5.00	XU7
July 1, 2028	5.00	XV5
January 1, 2029	5.00	XW3
July 1, 2029	5.00	XX1
January 1, 2030	5.00	XY9
July 1, 2030	5.00	XZ6
July 1, 2031	5.00	YA0
July 1, 2032	5.00	YB8
July 1, 2033	5.00	YC6
July 1, 2034	5.00	YD4
July 1, 2035	5.00	YE2
July 1, 2036	5.00	YF9
July 1, 2037	5.00	YG7

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APPENDIX E

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 \$560,025,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2017 (the “*Bonds*”). The Bonds are being issued under and pursuant to a Master Trust Agreement dated as of November 1, 2013, as heretofore supplemented and amended (the “*Master Trust Agreement*”) between the Authority and Amalgamated Bank of Chicago, an Illinois banking corporation, as master trustee (the “*Master Trustee*”), as further supplemented by a Third Supplemental Master Trust Agreement dated as of September 1, 2017 (the “*Third 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.

“*Final Official Statement*” means the final Official Statement dated August 29, 2017 relating to the Bonds.

“*Loan*” means the loan or loans 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. The CUSIP Numbers of the Bonds are as set forth in *Exhibit III*.

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 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 by reference to such separate continuing disclosure undertaking in a filing made thereunder. If the Participant satisfies such obligations by such a reference, the Participant will provide the Authority with the six-digit base CUSIP Number related to such referenced filing.

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 (10) business days after the occurrence of the Reportable Event) an 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 Third Supplemental Master 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 Third Supplemental Master 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 if no Loans of the Participant are pledged to secure the Bonds. If this Section is applicable, the Participant understands that the Authority shall give notice of such termination to EMMA pursuant to the Continuing Disclosure Agreement entered into by the Authority with respect to the Bonds.

Section 10. Dissemination Agent. The Participant may, from time to time, at its expense, 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 Third Supplemental Master 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” 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 or reference to a document prepared by the Participant which includes such information]

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

MATURITY DATE	INTEREST RATE	CUSIP BASE: 45204E
July 1, 2018	5.00%	WZ7
January 1, 2019	5.00	XA1
July 1, 2019	5.00	XB9
January 1, 2020	5.00	XC7
July 1, 2020	5.00	XD5
January 1, 2021	5.00	XE3
July 1, 2021	5.00	XF0
January 1, 2022	5.00	XG8
July 1, 2022	5.00	XH6
January 1, 2023	5.00	XJ2
July 1, 2023	5.00	XK9
January 1, 2024	5.00	XL7
July 1, 2024	5.00	XM5
January 1, 2025	5.00	XN3
July 1, 2025	5.00	XP8
January 1, 2026	5.00	XQ6
July 1, 2026	5.00	XR4
January 1, 2027	5.00	XS2
July 1, 2027	5.00	XT0
January 1, 2028	5.00	XU7
July 1, 2028	5.00	XV5
January 1, 2029	5.00	XW3
July 1, 2029	5.00	XX1
January 1, 2030	5.00	XY9
July 1, 2030	5.00	XZ6
July 1, 2031	5.00	YA0
July 1, 2032	5.00	YB8
July 1, 2033	5.00	YC6
July 1, 2034	5.00	YD4
July 1, 2035	5.00	YE2
July 1, 2036	5.00	YF9
July 1, 2037	5.00	YG7

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”) New York, NY, will act as securities depository for the Series 2017 Bonds. The Series 2017 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 the Series 2017 Bonds, each in the total aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the 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.

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 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 2017 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017

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 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Third Supplemental Master Trust Agreement or the Master Trust Agreement. For example, Beneficial Owners of the Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 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 2017 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2017 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 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Series 2017 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 Authority, 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 2017 Bonds at any time by giving reasonable notice to the 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 or 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 2017 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 2017 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 2017 Bonds; (iii) any notice that is permitted or required to be given to Bondholders under the Master Trust Agreement; (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 2017 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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